

FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN

February 29, 2008

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JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

August 29, 2008

To the Village Council
Village of Baraga, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village of Baraga's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baraga's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated August 29, 2008, on our consideration of the Village of Baraga, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 45 through 52 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Baraga, Michigan's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic statements taken as a whole.

A handwritten signature in black ink that reads "Joseph M. Daavetila, PC". The signature is written in a cursive, flowing style.

Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the year ended February 29, 2008

The following discussion and analysis of the Village of Baraga's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 29, 2008. Please read it in conjunction with the Village's financial statements, which begin on page 10.

The Village's net assets decreased slightly as a result of this year's operations. Net assets of our business-type activities decreased by \$514,436, or 7 percent, net assets of our government activities decreased by \$71,626, or 2.2 percent. Overall, the Village budgets are in adequate shape.

The Village's General Fund continues to be supplemented by a significant transfer of \$366,000 from the Electric Fund.

The Village's General Fund decreased fund equity \$35,434.

The Major Street Fund increased its balance to \$57,848 and the Local Street decreased its balance to \$688.

The Water Fund net assets decreased by \$222,395, though much of it through depreciation. The Water Fund cash balance decreased by \$7,047 this year.

The Electric Fund showed a reduction of \$155,624 in its cash balance with heavy transfers to other funds.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Assets and the Statement of Activities on pages 11 and 12 provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's individual funds.

REPORTING THE VILLAGE AS A WHOLE

Our analysis of the Village as a whole begins on page 5. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes to them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

Governmental activities - Most of the Village's basic services are reported here, including the police, fire, public works, park departments, and general administration. Property taxes, state revenue sharing, transfers from other funds, and state and federal grants finance most of these activities.

Business-type activities - The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and electric departments are reported here.

Component units - The Village includes the Village of Baraga Downtown Development Authority in its report - although legally separate, this "component unit" is important because the Village is financially accountable for it.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

The analysis of the Village's funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Village Council establishes many other funds to help it control and manage money for particular purposes (like the Waterfront Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary Funds - When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Village's other programs and activities - such as the Village's Motor Vehicle Fund.

THE VILLAGE AS TRUSTEE

Many communities may serve as a trustee, or fiduciary, for its employees' pension plan. In these communities, the government may hold funds in trust that can only be used for trust beneficiaries. The Village of Baraga does not maintain any fiduciary funds - our employees' pension plan system is managed by the Michigan Employees' Retirement System.

The Village as a Whole

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Village's governmental and business-type activities.

Table 1
Village of Baraga's Net Asset
February 29, 2008

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 1,444,356	\$1,448,765	\$ 6,477,831	\$ 6,785,326
Capital assets	<u>1,962,869</u>	<u>2,056,145</u>	<u>5,002,017</u>	<u>5,308,568</u>
Total assets	<u>\$ 3,407,225</u>	<u>\$3,504,910</u>	<u>\$11,479,848</u>	<u>\$12,093,894</u>
Long-term liabilities	\$ -	\$ -	\$ 4,217,000	\$ 4,376,500
Other liabilities	<u>156,054</u>	<u>182,113</u>	<u>424,820</u>	<u>364,930</u>
Total liabilities	<u>\$ 156,054</u>	<u>\$ 182,113</u>	<u>\$ 4,641,820</u>	<u>\$ 4,741,430</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 1,887,869	\$1,933,448	\$ 3,265,517	\$ 3,543,568
Restricted	-	-	165,146	157,385
Unrestricted	<u>1,363,302</u>	<u>1,389,349</u>	<u>3,407,365</u>	<u>3,651,511</u>
Total net assets	<u>\$ 3,251,171</u>	<u>\$3,322,797</u>	<u>\$ 6,838,028</u>	<u>\$ 7,352,464</u>

Overall, the Village decreased Net Assets by \$586,062, or 5.5 percent. The Village showed a decrease in Net Assets of Governmental Activities by \$71,626, or 2.2 percent, and a decrease in Business-type activities by \$514,436, or 7 percent.

Total Primary Government	
2008	2007
\$ 7,922,187	\$ 8,234,091
<u>6,964,886</u>	<u>7,364,713</u>
\$ 14,887,073	\$15,598,804
\$ 4,217,000	\$ 4,376,500
<u>580,874</u>	<u>547,043</u>
\$ 4,797,874	\$ 4,923,543
\$ 5,153,386	\$ 5,477,016
165,146	157,385
<u>4,770,667</u>	<u>5,040,860</u>
<u>\$ 10,089,199</u>	<u>\$10,675,261</u>

Table 2
Village of Baraga's Changes in Net Assets
February 29, 2008

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues:				
Program revenues:				
Charges for services	\$ 47,645	\$ 44,066	\$ 2,746,263	\$2,809,612
Operating grants and contributions	547,168	642,020	-	-
Capital grants and contributions	-	-	-	279,500
General revenues:				
Property taxes	158,004	158,837	-	-
Investment earnings (loss)	55,693	73,231	(21,019)	(31,365)
Gain on sale of assets	2,500	2,500	-	-
Miscellaneous	<u>5,999</u>	<u>4,464</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 817,009</u>	<u>\$ 925,118</u>	<u>\$ 2,725,244</u>	<u>\$3,057,747</u>
Expenses:				
General government	\$ 648,715	\$ 627,107	\$ -	\$ -
Public safety	185,725	166,202	-	-
Public works	354,873	357,623	-	-
Health and welfare	18,071	20,327	-	-
Community and economic development	1,419	221,968	-	-
Recreation and culture	30,747	30,957	-	-
Interest on long-term debt	5,669	7,089	-	-
Water	-	-	639,572	677,468
Sewer	-	-	154,047	165,040
Electric	<u>-</u>	<u>-</u>	<u>2,094,272</u>	<u>2,006,349</u>
Total expenses	<u>\$ 1,245,219</u>	<u>\$1,431,273</u>	<u>\$ 2,887,891</u>	<u>\$2,848,857</u>
Increase (decrease) in net assets before transfers	(\$ 428,210)	(\$ 506,155)	(\$ 162,647)	\$ 208,890
Transfers	<u>356,584</u>	<u>528,618</u>	<u>(351,789)</u>	<u>(497,821)</u>
Increase (decrease) in net assets	(\$ 71,626)	\$ 22,463	(\$ 514,436)	(\$ 288,931)
Net assets - beginning of year	<u>3,322,797</u>	<u>3,300,334</u>	<u>7,352,464</u>	<u>7,641,395</u>
Net assets-end of year	<u>\$ 3,251,171</u>	<u>\$3,322,797</u>	<u>\$ 6,838,028</u>	<u>\$7,352,464</u>

Total Primary
Government

2008	2007
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\$ 2,793,908	\$ 2,853,678
--------------	--------------

547,168	642,020
---------	---------

–	279,500
---	---------

158,004	158,837
---------	---------

34,674	41,866
--------	--------

2,500	2,500
-------	-------

5,999	4,464
-------	-------

\$ 3,542,253	\$ 3,982,865
--------------	--------------

\$ 648,715	\$ 627,107
------------	------------

185,725	166,202
---------	---------

354,873	357,623
---------	---------

18,071	20,327
--------	--------

1,419	221,968
-------	---------

30,747	30,957
--------	--------

5,669	7,089
-------	-------

639,572	677,468
---------	---------

154,047	165,040
---------	---------

2,094,272	2,006,349
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\$ 4,133,110	\$ 4,280,130
--------------	--------------

(\$ 590,857)	(\$ 297,265)
--------------	--------------

4,795	30,797
-------	--------

(\$ 586,062)	(\$ 266,468)
--------------	--------------

10,675,261	10,941,729
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\$10,089,199	\$10,675,261
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GOVERNMENTAL ACTIVITIES

Very little change occurred in the Net Assets of Government Activities. Before transfers, revenues increased 9% while expenses decreased 0.5%. After transfers, Net Assets decreased \$71,626, or 2%. Governmental Activities basically stayed the course.

BUSINESS-TYPE ACTIVITIES (WATER, SEWER, AND ELECTRIC)

Overall this year, there was a net loss from Business-type Activities of \$162,647 (before transfers), with most of the decrease coming from the Water Fund. The Village Electric Fund earned \$4,594 in operating income, and transferred \$366,000 to the General Fund. The Sewer Fund held its own this year with a operating income of \$132,670, and an overall increase in net assets of \$14,535. The Water Fund, however, decreased net assets by \$222,395, much of it due to depreciation. The Water Fund cash balance also decreased by \$7,047.

THE VILLAGE FUNDS

The following schedule presents a summary of general, special revenue, capital projects, and debt service fund revenues and expenditures for the fiscal year ending February 29, 2008 and the amount of increases and decreases in relation to the prior year.

Table 3
Village of Baraga's General, Special Revenue, and Debt Service
Revenues and Expenditures
February 29, 2008

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Revenues:			
Taxes	\$ 164,154	\$ 157,132	\$ 7,022
Intergovernmental revenues	285,322	365,890	(80,568)
Charges for services	9,466	19,558	(10,092)
Interest and rents	55,693	73,231	(17,538)
Other revenue	<u>412,679</u>	<u>402,516</u>	<u>10,163</u>
Total revenues	<u>\$ 927,314</u>	<u>\$ 1,018,327</u>	<u>(\$ 91,013)</u>
Expenditures:			
General governmental administration	\$ 638,861	\$ 627,850	\$ 11,011
Public safety	185,725	329,687	(143,962)
Public works	266,586	260,115	6,471
Health and welfare	18,071	20,327	(2,256)
Community and econ. development	1,419	1,691	(272)
Recreation and culture	31,177	31,498	(321)
Debt service	<u>128,307</u>	<u>57,548</u>	<u>70,759</u>
Total expenditures	<u>\$ 1,270,146</u>	<u>1,328,716</u>	<u>(\$ 58,570)</u>

Tax revenues stayed about the same as last year due to another year of not increasing taxes. Intergovernmental revenues decreased from last year mainly due to the reduction of the contribution from the Keweenaw Bay Indian Community. Finally, the major difference in expenditures in the Public Safety section is the \$163,485 in capital outlay from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Although the General Fund continues to be heavily funded from the Electric Fund, the General Fund equity only decreased \$35,434 while receiving \$147,400 less than the amount budgeted from the Electric Fund. There were no extraordinary deviations from the budget, and the fund is in overall adequate shape.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - On February 29, 2008, the Village had \$6,964,890 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water. The decrease in Capital Assets is due to depreciation.

Table 4
Capital Assets at Year-end
Net of Accumulated Depreciation
February 29, 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 121,651	\$ 121,651	\$ -	\$ -	\$ 121,651	\$ 121,651
Buildings	566,819	584,096	-	-	566,819	584,096
Improvements	911,748	951,081	-	-	911,748	951,081
Equipment	329,706	365,570	6,589	12,382	336,295	377,952
Infrastructure	<u>32,945</u>	<u>33,747</u>	<u>4,995,432</u>	<u>5,296,186</u>	<u>5,028,377</u>	<u>5,329,933</u>
Total	<u>\$1,962,869</u>	<u>\$2,056,145</u>	<u>\$5,002,021</u>	<u>\$5,308,568</u>	<u>\$6,964,890</u>	<u>\$7,364,713</u>

Debt - On February 29, 2008, the Village had \$4,451,500 in bonds, notes, and contracts outstanding.

Table 5
Outstanding Debt at Year End
Bonds and Notes Payable
February 29, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue bonds	\$ -	\$ -	\$4,376,500	\$4,530,000	\$4,376,500	\$4,530,000
Installment Purchase Contracts	75,000	122,697	-	-	75,000	122,697
Total	<u>\$ 75,000</u>	<u>\$122,697</u>	<u>\$4,376,500</u>	<u>\$4,530,000</u>	<u>\$4,451,500</u>	<u>\$4,652,697</u>

ECONOMIC FACTORS FOR NEXT YEAR'S BUDGETS AND RATES

The largest factor for next year's budgets and rates will be the reduction of 23 percent made by the State of Michigan Prison in their water consumption. The Village has increased both water and sewer rates effective September 2008 to make up for the reduction in usage by the Prison. The Village will continue to monitor the situation and make necessary rate adjustments when necessary.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact the Village Manager's Office at 100 Hemlock Street, Baraga, Michigan 49908.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 29, 2008

	Primary Government			
	Governmental	Business -		Component
	Activities	Type Activities	Total	Unit
<u>ASSETS</u>				
Cash	\$ 529,100	\$ 317,328	\$ 846,428	\$ 263,899
Accounts receivable	3,827	34,213	38,040	-
Taxes receivable	22,169	-	22,169	-
Prepaid expense	-	-	-	3,089
Due from other governmental units	12,254	51,375	63,629	-
Due from component unit	50	3,000	3,050	-
Bond proceeds receivable	-	-	-	-
Internal balances	105,560	(105,560)	-	-
Restricted assets	-	214,141	214,141	-
Investments	-	199,515	199,515	-
Investments in joint venture	-	132,973	132,973	-
Investment in Baraga Village/ Keweenaw Bay Reservation	-	-	-	-
Waste Water Authority	-	5,630,846	5,630,846	-
Long-term loans	771,396	-	771,396	-
Capital assets - net	<u>1,962,869</u>	<u>5,002,017</u>	<u>6,964,886</u>	<u>320,425</u>
TOTAL ASSETS	<u>\$ 3,407,225</u>	<u>\$11,479,848</u>	<u>\$14,887,073</u>	<u>\$ 587,413</u>
<u>LIABILITIES</u>				
Cash overdraft	\$ -	\$ 37,839	\$ 37,839	\$ -
Accounts payable	17,296	118,975	136,271	-
Accrued expenses	3,205	38,173	41,378	-
Due to primary government	-	-	-	3,050
Due to other governmental units	-	21,338	21,338	-
Payable from restricted assets - customer deposits	-	48,995	48,995	-
Noncurrent liabilities:				
Due within one year	78,102	159,500	237,602	-
Due in more than one year	<u>57,451</u>	<u>4,217,000</u>	<u>4,274,451</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 156,054</u>	<u>\$ 4,641,820</u>	<u>\$ 4,797,874</u>	<u>\$ 3,050</u>
<u>NET ASSETS</u>				
Invested in capital assets net of related debt	\$ 1,887,869	\$ 3,265,517	\$ 5,153,386	\$ 320,425
Restricted for debt service	-	165,146	165,146	-
Unrestricted	<u>1,363,302</u>	<u>3,407,365</u>	<u>4,770,667</u>	<u>263,938</u>
TOTAL NET ASSETS	<u>\$ 3,251,171</u>	<u>\$ 6,838,028</u>	<u>\$10,089,199</u>	<u>\$ 584,363</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
For the Year ended February 29, 2008

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 648,715	\$ 6,502	\$ 435,410	\$ -
Public safety	185,725	21,481	689	-
Public works	354,873	9,466	111,069	-
Health and welfare	18,071	-	-	-
Culture and recreation	30,747	10,196	-	-
Economic development	1,419	-	-	-
Interest on long-term debt	<u>5,669</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$1,245,219</u>	<u>\$ 47,645</u>	<u>\$ 547,168</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 639,572	\$ 404,532	\$ -	\$ -
Sewer	154,047	242,856	-	-
Electric	<u>2,094,272</u>	<u>2,098,875</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$2,887,891</u>	<u>\$2,746,263</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$4,133,110</u>	<u>\$2,793,908</u>	<u>\$ 547,168</u>	<u>\$ -</u>
Component Unit - DDA	<u>\$ 14,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes, levied for general purposes				
Unrestricted investment earnings				
Gain on sale of assets				
Miscellaneous				
Loss from investment in Baraga Village/Keweenaw				
Bay Joint Waste Water Authority				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

The accompanying notes to financial statements
are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Government Activities</u>	<u>Business - type Activities</u>	<u>Total</u>	<u>Component Units</u>
(\$ 206,803)	\$ -	(\$ 206,803)	
(163,555)	-	(163,555)	
(234,338)	-	(234,338)	
(18,071)	-	(18,071)	
(20,551)	-	(20,551)	
(1,419)	-	(1,419)	
(<u>5,669</u>)	<u>-</u>	(<u>5,669</u>)	
(\$ <u>650,406</u>)	<u>\$ -</u>	(\$ <u>650,406</u>)	
\$ -	(\$ 235,040)	(\$ 235,040)	
-	88,809	88,809	
<u>-</u>	<u>4,603</u>	<u>4,603</u>	
\$ -	(\$ <u>141,628</u>)	(\$ <u>141,628</u>)	
(\$ <u>650,406</u>)	(\$ <u>141,628</u>)	(\$ <u>792,034</u>)	
\$ -	\$ -	\$ -	(\$ <u>14,992</u>)
\$ 158,004	\$ -	\$ 158,004	\$ 75,827
55,693	53,215	108,908	2,338
2,500	-	2,500	-
5,999	-	5,999	-
-	(74,234)	(74,234)	-
<u>356,584</u>	<u>(351,789)</u>	<u>4,795</u>	<u>6,417</u>
\$ <u>578,780</u>	(\$ <u>372,808</u>)	\$ <u>205,972</u>	\$ <u>84,582</u>
(\$ <u>71,626</u>)	(\$ <u>514,436</u>)	(\$ <u>586,062</u>)	\$ <u>69,590</u>
<u>\$3,322,797</u>	<u>\$7,352,464</u>	<u>\$ 10,675,261</u>	<u>\$ 514,773</u>
<u><u>\$3,251,171</u></u>	<u><u>\$6,838,028</u></u>	<u><u>\$ 10,089,199</u></u>	<u><u>\$ 584,363</u></u>

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 35,864	\$ 77,628	\$ 4,012	\$ -
Accounts receivable	3,827	-	-	-
Taxes receivable	9,497	-	-	12,672
Due from other funds	106,168	3,917	12,117	32,811
Due from other governmental units	-	-	-	5,200
Due from component units	-	-	-	-
Long-term loan	-	-	-	-
TOTAL ASSETS	<u>\$ 155,356</u>	<u>\$ 81,545</u>	<u>\$ 16,129</u>	<u>\$ 50,683</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 12,307	\$ 173	\$ 322	\$ -
Due to other funds	34,339	23,524	15,119	11,834
Deferred revenue	9,497	-	-	12,672
TOTAL LIABILITIES	<u>\$ 56,143</u>	<u>\$ 23,697</u>	<u>\$ 15,441</u>	<u>\$ 24,506</u>
<u>FUND BALANCES</u>				
Unreserved, reported in:				
General fund	\$ 99,213	\$ -	\$ -	\$ -
Special revenue funds	-	57,848	688	26,177
Debt service fund	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 99,213</u>	<u>\$ 57,848</u>	<u>\$ 688</u>	<u>\$ 26,177</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 155,356</u>	<u>\$ 81,545</u>	<u>\$ 16,129</u>	<u>\$ 50,683</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ 368	\$ 9,792	\$ 359,464	\$ 101	\$ 487,229
-	-	-	-	3,827
-	-	-	-	22,169
13,978	-	-	-	168,991
-	-	-	-	5,200
-	-	50	-	50
-	2,585	768,811	-	771,396
<u>\$ 14,346</u>	<u>\$ 12,377</u>	<u>\$1,128,325</u>	<u>\$ 101</u>	<u>\$1,458,862</u>
\$ -	\$ -	\$ 50	\$ -	\$ 12,852
838	-	4,278	-	89,932
-	-	768,811	-	790,980
<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 773,139</u>	<u>\$ -</u>	<u>\$ 893,764</u>
\$ -	\$ -	\$ -	\$ -	\$ 99,213
13,508	12,377	355,186	-	465,784
-	-	-	101	101
<u>\$ 13,508</u>	<u>\$ 12,377</u>	<u>\$ 355,186</u>	<u>\$ 101</u>	<u>\$ 565,098</u>
<u>\$ 14,346</u>	<u>\$ 12,377</u>	<u>\$1,128,325</u>	<u>\$ 101</u>	<u>\$1,458,862</u>

VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
February 29, 2008

Total fund balance - total governmental funds	\$ 565,098
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,782,822
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	247,940
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(3,205)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	794,069
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(<u>135,553</u>)
Net assets of governmental activities	<u><u>\$3,251,171</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES:</u>				
Taxes	\$ 132,624	\$ -	\$ -	\$ 31,530
Intergovernmental revenues	182,087	74,611	28,624	-
Service charges	9,466	-	-	-
Interest	27,187	-	-	-
Other revenue	<u>358,992</u>	<u>3,917</u>	<u>3,917</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 710,356</u>	<u>\$ 78,528</u>	<u>\$ 32,541</u>	<u>\$ 31,530</u>
<u>EXPENDITURES:</u>				
General government	\$ 628,762	\$ 6,024	\$ 4,075	\$ -
Public safety	185,725	-	-	-
Public works	89,480	88,885	88,221	-
Health and welfare	18,071	-	-	-
Culture and recreation	18,221	-	-	-
Economic development	-	-	-	-
Debt service:				
Principal	122,697	-	-	-
Interest and other charges	<u>5,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,068,566</u>	<u>\$ 94,909</u>	<u>\$ 92,296</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	<u>(\$ 358,210)</u>	<u>(\$ 16,381)</u>	<u>(\$ 59,755)</u>	<u>\$ 31,530</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	\$ 375,000	\$ 25,000	\$ 49,280	\$ -
Transfers out	<u>(52,224)</u>	<u>-</u>	<u>-</u>	<u>(33,472)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 322,776</u>	<u>\$ 25,000</u>	<u>\$ 49,280</u>	<u>(\$ 33,472)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 35,434)</u>	<u>\$ 8,619</u>	<u>(\$ 10,475)</u>	<u>(\$ 1,942)</u>
Fund balances, beginning of year	<u>\$ 134,647</u>	<u>\$ 49,229</u>	<u>\$ 11,163</u>	<u>\$ 28,119</u>
Fund balances, end of year	<u><u>\$ 99,213</u></u>	<u><u>\$ 57,848</u></u>	<u><u>\$ 688</u></u>	<u><u>\$ 26,177</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 164,154
-	-	-	-	285,322
-	-	-	-	9,466
-	-	28,506	-	55,693
<u>10,196</u>	<u>-</u>	<u>35,657</u>	<u>-</u>	<u>412,679</u>
\$ <u>10,196</u>	\$ <u>-</u>	\$ <u>64,163</u>	\$ <u>-</u>	\$ <u>927,314</u>
\$ -	\$ -	\$ -	\$ -	\$ 638,861
-	-	-	-	185,725
-	-	-	-	266,586
-	-	-	-	18,071
12,956	-	-	-	31,177
-	-	1,419	-	1,419
-	-	-	-	122,697
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,610</u>
\$ <u>12,956</u>	\$ <u>-</u>	\$ <u>1,419</u>	\$ <u>-</u>	\$ <u>1,270,146</u>
(\$ <u>2,760</u>)	\$ <u>-</u>	\$ <u>62,744</u>	\$ <u>-</u>	(\$ <u>342,832</u>)
\$ 3,000	\$ -	\$ -	\$ -	\$ 452,280
<u>-</u>	<u>-</u>	(<u>10,000</u>)	<u>-</u>	(<u>95,696</u>)
\$ <u>3,000</u>	\$ <u>-</u>	(\$ <u>10,000</u>)	\$ <u>-</u>	\$ <u>356,584</u>
\$ <u>240</u>	\$ <u>-</u>	\$ <u>52,744</u>	\$ <u>-</u>	\$ <u>13,752</u>
\$ <u>13,268</u>	\$ <u>12,377</u>	\$ <u>302,442</u>	\$ <u>101</u>	\$ <u>551,346</u>
\$ <u>13,508</u>	\$ <u>12,377</u>	\$ <u>355,186</u>	\$ <u>101</u>	\$ <u>565,098</u>

VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
February 29, 2008

Net change in fund balances - total governmental funds.	\$ 13,752
Governmental funds report the issuance of long-term debt as revenue. However, in the statement of activities, it increases long-term liabilities.	(75,000)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$49,232.	(105,608)
Repayment of revolving loan fund loan principal is recorded as revenue in the governmental funds, but not in the statement of activities.	(35,657)
Repayment of long-term debt is recorded as an expenditure in the governmental funds, but not in the statement of activities.	122,657
Property taxes not collected within sixty days after the Village's fiscal year end are written off; therefore, when collected they are considered revenues in the governmental funds.	(6,150)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	(59)
Accrued vacation and sick time expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(19,954)
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type activities and depreciation expense.	
Change in net assets	(\$12,307)
Net of amount allocated to business-type activities	(2,572)
Depreciation expense	49,232
	<u>34,353</u>
Change in net assets of governmental activities.	<u>(\$ 71,626)</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
February 29, 2008

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>ASSETS</u>			
Cash	\$ 1,772	\$ -	\$ 315,556
Accounts receivable	9,345	-	24,868
Due from other governmental units	-	-	51,375
Due from component unit	-	-	3,000
Due from other funds	-	-	867
Restricted assets	165,146	-	48,995
Investments	-	-	199,515
Investment in joint venture	-	-	132,973
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	-	5,630,846	-
Capital assets - net	<u>4,613,694</u>	<u>46</u>	<u>388,277</u>
TOTAL ASSETS	\$ <u>4,789,957</u>	\$ <u>5,630,892</u>	\$ <u>1,165,426</u>
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ 37,839	\$ -
Accounts payable	7,610	1,403	109,962
Accrued expenses	21,493	16,680	-
Due to other funds	66,250	12,478	22,482
Due to other governmental units	-	21,338	-
Payable from restricted assets - customer deposits	-	-	48,995
Noncurrent liabilities:			
Due within one year	29,500	130,000	-
Due in more than one year	<u>1,707,000</u>	<u>2,510,000</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>1,831,853</u>	\$ <u>2,729,738</u>	\$ <u>181,439</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,877,194	\$ 46	\$ 388,277
Restricted for debt service	165,146	-	-
Unrestricted	<u>(84,236)</u>	<u>2,901,108</u>	<u>595,710</u>
TOTAL NET ASSETS	\$ <u>2,958,104</u>	\$ <u>2,901,154</u>	\$ <u>983,987</u>

Reconciliation to government-wide statement of net assets -
Adjustment to reflect the consolidation of Internal Service Fund's
activities related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements
are an integral part of this statement.

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$ 317,328	\$ 41,871
34,213	-
51,375	7,054
3,000	-
867	26,209
214,141	-
199,515	-
132,973	-
5,630,846	-
<u>5,002,017</u>	<u>180,047</u>
<u>\$11,586,275</u>	<u>\$ 255,181</u>
\$ 37,839	\$ -
118,975	7,263
38,173	2,701
101,210	4,925
21,338	-
48,995	-
159,500	-
<u>4,217,000</u>	<u>-</u>
<u>\$ 4,743,030</u>	<u>\$ 12,458</u>
\$ 3,265,517	\$ 180,047
165,146	-
<u>3,412,582</u>	<u>62,676</u>
\$ 6,843,245	<u><u>\$ 242,723</u></u>

(5,217)

\$ 6,838,028

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended February 29, 2008

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>OPERATING REVENUES</u>			
Utility services	\$ 404,532	\$ 242,856	\$ 2,098,875
Other	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ 404,532	\$ 242,856	\$ 2,098,875
<u>OPERATING EXPENDITURES</u>			
Operating expenses -			
Less depreciation	\$ 313,203	\$ 109,908	\$ 2,035,458
Depreciation	<u>247,450</u>	<u>278</u>	<u>58,823</u>
TOTAL EXPENDITURES	\$ 560,653	\$ 110,186	\$ 2,094,281
OPERATING INCOME (LOSS)	(\$ 156,121)	\$ 132,670	\$ 4,594
<u>NON-OPERATING REVENUES</u>			
Interest income and other revenue	\$ 997	\$ -	\$ 52,218
<u>NON-OPERATING EXPENSES</u>			
Interest expense	\$ 81,482	\$ 43,861	\$ -
Interest expense	<u>-</u>	<u>74,234</u>	<u>-</u>
TOTAL NON-OPERATING EXPENSES	\$ 81,482	\$ 118,095	\$ -
INCOME (LOSS) BEFORE			
CONTRIBUTIONS AND TRANSFERS	(\$ 236,606)	\$ 14,575	\$ 56,812
Transfers in (out)	<u>14,211</u>	<u>-</u>	<u>(366,000)</u>
CHANGE IN NET ASSETS	(\$ 222,395)	\$ 14,575	(\$ 309,188)
Total net assets at beginning of year	<u>3,180,499</u>	<u>2,886,579</u>	<u>1,293,175</u>
Total net assets at end of year	<u>\$ 2,958,104</u>	<u>\$ 2,901,154</u>	<u>\$ 983,987</u>

Amounts reported for business-type activities in the statement of activities are different because-

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$2,746,263	\$ -
<u>-</u>	<u>73,650</u>
<u>\$2,746,263</u>	<u>\$ 73,650</u>
\$2,458,569	\$ 36,726
<u>306,551</u>	<u>49,231</u>
<u>\$2,765,120</u>	<u>\$ 85,957</u>
(\$ 18,857)	(\$ 12,307)
\$ 53,215	\$ -
\$ 125,343	\$ -
<u>74,234</u>	<u>-</u>
<u>\$ 199,577</u>	<u>\$ -</u>
(\$ 165,219)	(\$ 12,307)
<u>(351,789)</u>	<u>-</u>
(\$ 517,008)	(\$ 12,307)
	<u>255,030</u>
	<u><u>\$ 242,723</u></u>
<u>2,572</u>	
<u><u>(\$ 514,436)</u></u>	

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended February 29, 2008

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$401,337	\$297,882	\$2,093,934
Payments to suppliers	(183,711)	(50,446)	(1,946,974)
Payments to employees	(121,760)	(57,480)	(41,926)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 95,866</u>	<u>\$189,556</u>	<u>\$ 105,034</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>			
<u>NONCAPITAL FINANCING ACTIVITIES</u>			
Due from other governmental units			
(increase) decrease	\$ -	\$ -	\$ 16,893
Transfers from other governmental units	11,211	-	-
Transfers from other funds	3,000	-	-
Transfers to other funds	-	-	(366,000)
CASH FLOWS PROVIDED BY (USED IN)			
NONCAPITAL FINANCING ACTIVITIES	<u>\$ 14,211</u>	<u>\$ -</u>	<u>(\$ 349,107)</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL</u>			
<u>AND RELATED FINANCING ACTIVITIES</u>			
Restricted assets (increase) decrease	(\$ 7,761)	\$ -	(\$ 6,669)
Acquisition of property, plant, and equipment	-	-	-
Payments on long-term debt	(28,500)	(125,000)	-
Interest	(81,860)	(44,707)	-
Bond proceeds	-	401	-
CASH FLOWS PROVIDED BY (USED IN) CAPITAL			
AND RELATED FINANCING ACTIVITIES	<u>(\$118,121)</u>	<u>(169,306)</u>	<u>(\$ 6,669)</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>			
<u>INVESTING ACTIVITIES</u>			
Interest received on investments	\$ 997	\$ -	\$ 24,445
Investments (increase) decrease	-	-	42,900
Distributions from investments	-	-	27,773
CASH FLOWS PROVIDED BY (USED IN)			
INVESTING ACTIVITIES	<u>\$ 997</u>	<u>\$ -</u>	<u>\$ 95,118</u>
NET INCREASE (DECREASE) IN CASH	<u>(\$ 7,047)</u>	<u>\$ 20,250</u>	<u>(\$ 155,624)</u>
Cash, beginning of year	<u>8,819</u>	<u>(58,089)</u>	<u>471,180</u>
Cash, end of year	<u><u>\$ 1,772</u></u>	<u><u>(\$ 37,839)</u></u>	<u><u>\$ 315,556</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</u>			
<u>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>			
Operating income (loss)	(\$156,121)	\$132,670	\$ 4,594
Adjustments to reconcile net income to net cash			
provided by (used in) operating activities:			
Depreciation	247,450	278	58,823
Changes in assets and liabilities:			
Accounts receivable (increase) decrease	(3,779)	-	(11,610)
Due from other funds (increase) decrease	584	-	-
Due from other governmental units (increase)			
decrease	-	54,626	-
Accounts payable increase (decrease)	272	(100)	44,837
Accrued expenses increase (decrease)	1,363	525	460
Customer deposits increase (decrease)	-	-	6,669
Due to other funds increase (decrease)	<u>6,097</u>	<u>1,557</u>	<u>1,261</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 95,866</u></u>	<u><u>\$189,556</u></u>	<u><u>\$ 105,034</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$2,792,753	\$ 66,952
(2,181,131)	(26,822)
(221,166)	(6,805)
<u>\$ 390,456</u>	<u>\$ 33,325</u>

\$ 16,893	\$ -
11,211	-
3,000	-
(366,000)	-
<u>(\$ 334,896)</u>	<u>\$ -</u>

(\$ 14,430)	\$ -
-	(12,331)
(153,500)	-
(126,567)	-
<u>401</u>	<u>-</u>
<u>(\$ 294,096)</u>	<u>(\$ 12,331)</u>

\$ 25,442	\$ -
42,900	-
<u>27,773</u>	<u>-</u>

<u>\$ 96,115</u>	<u>\$ -</u>
(\$ 142,421)	\$ 20,994
<u>421,910</u>	<u>20,877</u>
<u><u>\$ 279,489</u></u>	<u><u>\$ 41,871</u></u>

(\$ 18,857)	(\$ 12,307)
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306,551	49,231
(15,389)	-
584	(6,960)
54,626	262
45,009	3,698
2,348	(134)
6,669	-
<u>8,915</u>	<u>(465)</u>
<u><u>\$ 390,456</u></u>	<u><u>\$ 33,325</u></u>

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
February 29, 2008

ASSETS

Cash	\$ 263,899
Prepaid expense	3,089
Capital assets - net	<u>320,425</u>
TOTAL ASSETS	<u>\$ 587,413</u>

LIABILITIES

Accounts payable	\$ -
Due to primary government	<u>3,050</u>
TOTAL LIABILITIES	<u>\$ 3,050</u>

NET ASSETS

Unrestricted	<u>\$ 584,363</u>
TOTAL NET ASSETS	<u><u>\$ 584,363</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 STATEMENT OF ACTIVITIES
 Year ended February 29, 2008

	<u>Program Revenues</u>			<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Expenses</u>				
Functions/Programs				
General government	<u>\$ 14,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,922)</u>
General revenues:				
Property taxes levied for general purposes				\$ 75,827
Unrestricted investment earnings				2,338
Transfers				<u>6,417</u>
Total general revenues, special items, and transfers				<u>\$ 84,582</u>
Change in net assets				\$ 69,590
Net assets - beginning of year				<u>514,773</u>
Net assets - end of year				<u>\$584,363</u>

The accompanying notes to financial statements
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
For the year ended February 29, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Baraga conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Financial Reporting Entity

In accordance with the provisions of the Government Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity", a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component unit's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government. In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

Blended Component Units

Village of Baraga Building Authority - The Village of Baraga Building Authority is a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan 1948 and is governed by a three member board appointed by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village's operations because its purpose is to acquire and lease a municipal building to the Village. The assets of the Building Authority are presented in the General Fixed Asset Group of Accounts.

Discretely Presented Component Units

Village of Baraga Downtown Development Authority - The Village of Baraga Downtown Development Authority is an entity created by the Village of Baraga on October 22, 1984, pursuant to Public Act 197 of 1975 and is governed by a board appointed by the Village Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the Village.

Component Units Not Presented

Village of Baraga Housing Commission - The Village of Baraga Housing Commission is not included in the financial statements as explained in Note L.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FINANCIAL REPORTING ENTITY (continued)

Jointly Governed Organizations

Upper Peninsula Public Power Agency – On June 9, 2003, the Village resolved to join the Upper Peninsula Public Power Agency (UPPPA), a Michigan municipal corporation organized under the Michigan Energy Employment Act of 1976. The UPPPA is a joint action agency, comprised of several municipalities in the Upper Peninsula of Michigan. The UPPPA was organized to invest in the American Transmission Company, a Wisconsin based entity, created by the Wisconsin legislature to own all electric transmission assets in the State of Wisconsin. The Village investment in the Agency is included in the Electric Fund's financial statements using the cost method of accounting.

Unaudited financial information for the joint venture as of December 31, 2007:

Total assets	<u>\$3,077,348</u>
Liabilities:	
Current liabilities	\$ -
Long-term liabilities	<u>-</u>
	\$ -
Total equity	<u>3,077,348</u>
	<u>\$3,077,348</u>
Total revenues	\$ 487,909
Total expenditures	<u>9,533</u>
INCREASE IN FUND EQUITY FROM OPERATIONS	\$ 478,376
Equity contributions	-
Equity distributions	<u>(472,909)</u>
TOTAL INCREASE IN FUND EQUITY	<u>\$ 5,467</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the governmental unit to other departments or agencies of the governmental unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (continued)

Account Groups:

General Fixed Asset Account Group - This account group presents property, plant, and equipment of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

4. Basis of Accounting

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes are levied on July 1. The Village collects its own property taxes until mid September at which time collection is turned over to Baraga County.

The tax rate to finance general government services for the year ended February 29, 2008, was \$8.6357 per \$1000 of assessed valuation which computed to \$125,852 on the present taxable valuation of \$14,573,465. Also, an additional \$1.5203 per \$1000 of assessed valuation was levied for road improvements.

5. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds reported reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B - NET ASSETS DEFICIT

An unrestricted net assets deficit of \$84,236 exists in the Water Fund. The deficit is the result of inefficiencies in the water system and repairs made to correct the inefficiencies made during the current and previous years. Management is continuing to monitor the activity in the Water Fund to ensure that the deficit is eliminated in a timely manner.

NOTE C - CASH AND INVESTMENTS

At February 29, 2008, the Village of Baraga's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 529,100	\$ 317,328	\$ 846,428	\$ 263,899
Investments	-	199,515	199,515	-
Restricted assets	-	214,141	214,141	-
Total	<u>\$ 529,100</u>	<u>\$ 730,984</u>	<u>\$1,260,084</u>	<u>\$ 263,899</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Carrying Amounts</u>		
	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured (FDIC)	\$1,022,475	\$ 263,899	\$1,286,374
Uninsured and uncollateralized	-	-	-
Total Deposits	<u>\$1,022,475</u>	<u>\$ 263,899</u>	<u>\$1,286,374</u>
	<u>Bank Balances</u>		
Insured (FDIC)	\$1,022,287	\$ 263,899	\$1,286,186
Uninsured and uncollateralized	-	-	-
Total Deposits	<u>\$1,022,287</u>	<u>\$ 263,899</u>	<u>\$1,286,186</u>

Deposits totaling \$214,141 are included with restricted assets. Included with cash was petty cash of \$255. Not included with cash was a cash overdraft of \$37,839 in the Sewer Fund .

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the Board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

Category 1: Insured or collateralized with securities held by the Village or its agent in the Village's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Village's name).

Investment type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-categorized					
Cash equivalents	\$199,515	\$ -	\$ -	<u>\$199,515</u>	<u>\$ 195,103</u>

NOTE D - RECEIVABLES

Receivables as of February 29, 2008 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Taxes receivable	\$ 9,497	\$ 12,672	\$ -	\$ -	\$ -	\$ -	\$ 22,169
Accounts receivable	3,827	-	9,345	-	24,868	-	38,040
Long-term notes	-	771,396	-	-	-	-	771,396
Intergovernmental	-	5,200	-	-	51,375	7,054	63,629
Component unit	-	50	-	-	3,000	-	3,050
Total Receivables	<u>\$13,324</u>	<u>\$789,318</u>	<u>\$ 9,345</u>	<u>\$ -</u>	<u>\$ 79,243</u>	<u>\$ 7,054</u>	<u>\$898,284</u>

NOTE D - RECEIVABLES (CONTINUED)

Notes receivable consist of:

Small Cities funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$2,326. Payments include interest computed at 7%.	\$198,389
Urban Development Action Grant funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,814 including interest computed at 3%.	166,810
Economic development loan to Sheryl A. and Richard J. Hosking which is to be repaid in monthly installments of \$162 including interest computed at 7%.	16,368
Economic development loan to Harold E. and Shirley A. Mensch which is to be repaid in monthly installments of \$539 including interest computed at 7%.	11,021
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$674.12 including interest at 7.0%.	46,485
Economic development loan to Van Straten Brothers, Inc. which is to be repaid in monthly installments of \$1,331.90 including interest at 4.75%.	20,581
Economic development loan to Larry's Market, Inc. which is to be repaid in monthly installments of \$1,048.48 including interest of 4.75%.	57,707
Economic development loan to H&H Cafe which is to be repaid in monthly installments of \$250.00 including interest at 4.75%	33,287
Economic development loan to Keweenaw Bay Motel Developers which is to be repaid in monthly installments of \$1,036.59 including interest at 4.75%.	172,761
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$449.41 including interest at 4.75%.	45,400
Housing rehabilitation loans to 5 individuals which are to be repaid in monthly installments of \$245.	<u>2,585</u>
	<u>\$771,394</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2008, was as follows:

	<u>Balance March 1</u>	<u>Additions</u>
Governmental activities:		
Capital assets not being depreciated –		
Land	\$ 121,651	\$ –
Capital assets being depreciated:		
Buildings	\$ 832,092	\$ –
Improvements	1,521,413	–
Equipment	1,379,149	12,331
Infrastructure	40,111	–
Total capital assets being depreciated	<u>\$ 3,772,765</u>	<u>\$ 12,331</u>
Less accumulated depreciation for:		
Buildings	\$ 247,996	\$ 17,277
Improvements	570,332	39,333
Equipment	1,013,579	48,195
Infrastructure	6,363	803
Total accumulated depreciation	<u>\$ 1,838,270</u>	<u>\$ 105,608</u>
Total capital assets being depreciated, net	<u>\$ 1,934,495</u>	<u>(\$ 93,277)</u>
Governmental activities capital assets, net	<u><u>\$ 2,056,146</u></u>	<u><u>(\$ 93,277)</u></u>
Business-type activities:		
Capital assets being depreciated:		
Equipment	\$ 88,088	\$ –
Infrastructure	8,554,681	–
Total capital assets being depreciated	<u>\$ 8,642,769</u>	<u>\$ –</u>
Less accumulated depreciation for:		
Equipment	\$ 75,706	\$ 5,793
Infrastructure	3,258,495	300,758
Total accumulated depreciation	<u>\$ 3,334,201</u>	<u>\$ 306,551</u>
Total capital assets being depreciated, net	<u>\$ 5,308,568</u>	<u>(\$ 306,551)</u>
Business-type activities capital assets, net	<u><u>\$ 5,308,568</u></u>	<u><u>(\$ 306,551)</u></u>
Component unit activities:		
Capital assets not being depreciated – Land	\$ 54,241	\$ –
Capital assets being depreciated – Infrastructure	\$ 172,854	\$ 101,968
Less accumulated depreciation for – Infrastructure	4,160	4,477
Total capital assets being depreciated, net	<u>\$ 168,694</u>	<u>\$ 97,491</u>
Component unit activities capital assets, net	<u><u>\$ 222,935</u></u>	<u><u>\$ 97,491</u></u>

<u>Retirements</u>	<u>Balance February 29</u>
\$ -	\$ 121,651
\$ -	\$ 832,092
-	1,521,413
69,000	1,322,480
-	40,111
<u>\$ 69,000</u>	<u>\$ 3,716,096</u>
\$ -	\$ 265,273
-	609,665
69,000	992,774
-	7,166
<u>\$ 69,000</u>	<u>\$ 1,874,878</u>
<u>\$ -</u>	<u>\$ 1,841,218</u>
<u>\$ -</u>	<u>\$ 1,962,869</u>
\$ -	\$ 88,088
-	8,554,681
<u>\$ -</u>	<u>\$ 8,642,769</u>
\$ -	\$ 81,499
-	3,559,253
<u>\$ -</u>	<u>\$ 3,640,752</u>
<u>\$ -</u>	<u>\$ 5,002,017</u>
<u>\$ -</u>	<u>\$ 5,002,017</u>
<u>\$ -</u>	<u>\$ 54,241</u>
\$ -	\$ 274,822
-	8,637
<u>\$ -</u>	<u>\$ 266,185</u>
<u>\$ -</u>	<u>\$ 320,426</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities -	
Public works	<u>\$ 105,608</u>
Business-type activities:	
Water	\$ 247,450
Sewer	278
Electric	<u>58,823</u>
Total depreciation expense-Business-type activities	<u>\$ 306,551</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at February 29, 2008, consisted of:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 106,168	Motor Vehicle	\$ 4,925
		Water	63,818
		Revolving	4,278
		Local Street	12,989
		Major Street	10,368
		Sewer	6,061
		Electric	<u>3,729</u>
	Subtotal	Subtotal	<u>\$ 106,168</u>
Motor Vehicle	\$ 26,209	Sewer	\$ 6,417
Equipment		Water	1,565
		Waterfront	838
		Local Street	2,130
		Major Street	13,156
		Electric	<u>2,103</u>
	Subtotal	Subtotal	<u>\$ 26,209</u>
Waterfront	\$ 13,978	General	\$ 3,528
		Electric	<u>10,450</u>
	Subtotal	Subtotal	<u>\$ 13,978</u>
Major Street	\$ 3,917	Road	\$ 3,917
Local Street	\$ 12,117	Electric	\$ 4,200
		Road	<u>7,917</u>
	Subtotal	Subtotal	<u>\$ 12,117</u>
Road	\$ 32,811	General	\$ 30,811
		Electric	<u>2,000</u>
	Subtotal	Subtotal	<u>\$ 32,811</u>
Electric	\$ 867	Water	\$ 867
	Total	Total	<u>\$ 196,067</u>

The amounts of receivables and payables between primary government and component units at February 29, 2008 are as follows:

<u>Component Unit</u>	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>	<u>Fund</u>	<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
DDA -					
General	\$ -	\$ 3,050	Electric	\$ 3,000	\$ -
			Revolving	<u>50</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 3,050</u>	Total	<u>\$ 3,050</u>	<u>\$ -</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. Installment purchase agreements are general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	<u>Governmental</u>	<u>Business Type</u>
<u>Bonds Payable</u>		
At February 29, 2008 bonds payable consisted of the following individual issues:		
2002 KBIC Industrial Park water supply system revenue bonds (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum.	\$ -	\$ 311,000
Water system improvement revenue bonds(denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year.	-	490,000
Water supply system junior lien bonds, series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	613,000
Water supply system junior lien bonds, series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	322,500
Wastewater improvement bonds, series 2005, (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum.	-	2,640,000
Total bonds payable	<u>\$ -</u>	<u>\$4,376,500</u>

Installment Purchase Agreements

Equipment truck/fire apparatus with payments annually on March 13, of \$20,872 including interest through March 13, 2011 with interest at 4.43% per annum, financed through Superior National Bank and Trust Co.	<u>\$ 75,000</u>	<u>\$ -</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of February 29, 2008, are as follows:

Year Ending February 28,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 17,549	\$ 3,323	\$ 160,000	\$ 123,440
2010	18,327	2,545	161,000	119,944
2011	19,138	1,733	161,500	116,401
2012	19,986	885	166,500	112,808
2013	-	-	167,500	109,111
2014	-	-	178,000	105,387
2015	-	-	180,000	101,272
2016	-	-	185,500	97,066
2017	-	-	186,500	92,742
2018	-	-	192,000	88,375
2019	-	-	199,000	83,700
2020	-	-	199,000	78,867
2021	-	-	204,500	74,003
2022	-	-	210,500	69,021
2023-2043	-	-	1,825,000	604,834
	<u>\$ 75,000</u>	<u>\$ 8,486</u>	<u>\$ 4,376,500</u>	<u>\$ 1,976,971</u>

The Long-term Debt Group of Accounts also includes the long-term portion of employee compensated absences, totalling \$56,251, and the related employer's portion of FICA tax of \$4,303.

The individual long-term debt and other general long-term obligations of the Village and the changes therein, may be summarized as follows:

	<u>Balance 02-28-07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 02-29-08</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
KBIC Industrial Park water supply system revenue bonds (2002)	\$ 314,000	\$ -	\$ 3,000	\$ 311,000
Water system improvement revenue bonds (1997)	505,000	-	15,000	490,000
Water supply system junior lien bond, series 2003A	620,000	-	7,000	613,000
Water supply system junior lien bond, series 2003B	326,000	-	3,500	322,500
Wastewater improvement bonds, series 2005	<u>2,765,000</u>	<u>-</u>	<u>125,000</u>	<u>2,640,000</u>
	<u>\$4,530,000</u>	<u>\$ -</u>	<u>\$ 153,500</u>	<u>\$4,376,500</u>

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>02-28-07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-29-08</u>
<u>LONG-TERM DEBT GROUP OF ACCOUNTS</u>				
INSTALLMENT PURCHASE				
CONTRACTS				
Puma fire truck	\$ 39,462	\$ -	\$ 39,462	\$ -
Pumper fire truck	83,235	-	83,235	-
Equipment truck/fire apparatus	-	75,000	-	75,000
	<u>\$ 122,697</u>	<u>\$ 75,000</u>	<u>\$ 122,697</u>	<u>\$ 75,000</u>

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND

2002 KBIC Industrial Park Water Supply System Revenue Bond (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>April 1</u>	<u>Interest</u> <u>October 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u>
2009	\$ 7,192	\$ 7,192	\$ 4,000	\$ 18,384
2010	7,099	7,099	4,000	18,198
2011	7,007	7,007	4,000	18,014
2012	6,914	6,914	4,000	17,828
2013	6,822	6,822	4,000	17,644
2014	6,729	6,729	4,000	17,458
2015	6,637	6,637	5,000	18,274
2016	6,521	6,521	5,000	18,042
2017	6,406	6,406	5,000	17,812
2018	6,290	6,290	5,000	17,580
2019	6,174	6,174	6,000	18,348
2020	6,036	6,036	6,000	18,072
2021	5,897	5,897	6,000	17,794
2022	5,758	5,758	6,000	17,516
2023	5,619	5,619	7,000	18,238
2024	5,458	5,458	7,000	17,916
2025	5,296	5,296	8,000	18,592
2026	5,111	5,111	8,000	18,222
2027	4,926	4,926	8,000	17,852
2028	4,741	4,471	9,000	18,482
2029	4,533	4,533	9,000	18,066
2030	4,324	4,324	10,000	18,648
2031	4,093	4,093	10,000	18,186
2032	3,862	3,862	11,000	18,724
2033	3,608	3,608	11,000	18,216
2034	3,353	3,353	12,000	18,706
2035	3,076	3,076	12,000	18,152
2036	2,798	2,798	13,000	18,596
2037	2,498	2,498	13,000	17,996
2038	2,197	2,197	14,000	18,394
2039	1,873	1,873	15,000	18,746
2040	1,526	1,526	15,000	18,052
2041	1,179	1,179	16,000	18,358
2042	809	809	17,000	18,618
2043	416	416	18,000	18,832
	<u>\$162,778</u>	<u>\$ 162,778</u>	<u>\$ 311,000</u>	<u>\$ 636,556</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

Principal installments of this bond are subject to prepayment prior to maturity, at the issuer's option, on any interest payment date on or after October 1, 2003, at par and accrued interest to the date fixed for prepayment.

Ordinance Number 194 requires that a bond reserve account be established and maintained. The Ordinance requires, at the beginning of each fiscal year quarter, that at least \$475 be transferred to the bond reserve account until the sum of \$19,000 has been deposited therein. The Village has complied with this requirement as there is \$8,841 in these accounts at February 29, 2008.

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water System Improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year. Scheduled payments of principal, interest and interest rates are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>Rate</u> <u>%</u>	<u>Interest</u> <u>May 1</u>	<u>Interest</u> <u>November 1</u>	<u>Principal</u> <u>November 1</u>	<u>Total</u>
2009	4.95	\$ 13,310	\$ 13,310	\$ 15,000	\$ 41,620
2010	5.05	12,939	12,939	15,000	40,878
2011	5.15	12,560	12,560	15,000	40,120
2012	5.25	12,174	12,174	15,000	39,348
2013	5.3	11,780	11,780	15,000	38,560
2014	5.35	11,383	11,383	20,000	42,766
2015	5.4	10,848	10,848	20,000	41,696
2016	5.45	10,308	10,307	20,000	40,615
2017	5.5	9,763	9,762	20,000	39,525
2018	5.5	9,213	9,212	25,000	43,425
2019	5.5	8,525	8,525	25,000	42,050
2020	5.5	7,838	7,837	25,000	40,675
2021	5.5	7,150	7,150	25,000	39,300
2022	5.5	6,463	6,462	30,000	42,925
2023	5.5	5,638	5,637	30,000	41,275
2024	5.5	4,813	4,812	30,000	39,625
2025	5.5	3,988	3,987	35,000	42,975
2026	5.5	3,025	3,025	35,000	41,050
2027	5.5	2,063	2,062	35,000	39,125
2028	5.5	1,100	1,100	40,000	42,200
		<u>\$164,881</u>	<u>\$ 164,872</u>	<u>\$ 490,000</u>	<u>\$ 819,753</u>

Ordinance Number 180 requires that bond reserve accounts be established and maintained at a \$42,000 level. The Village has complied with this requirement as there is \$61,001 in these accounts at February 29, 2008.

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003A

Water Supply System Junior Lien Revenue Bond, Series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Total</u>
2009	\$ 13,026	\$ 7,000	\$ 12,878	\$ 32,904
2010	12,878	7,000	12,729	32,607
2011	12,729	8,000	12,559	33,288
2012	12,559	8,000	12,389	32,948
2013	12,389	8,000	12,219	32,608
2014	12,219	9,000	12,028	33,247
2015	12,028	9,000	11,836	32,864
2016	11,836	10,000	11,624	33,460
2017	11,624	10,000	11,411	33,035
2018	11,411	11,000	11,178	33,589
2019	11,178	11,000	10,944	33,122
2020	10,944	12,000	10,689	33,633
2021	10,689	12,000	10,434	33,123
2022	10,434	13,000	10,158	33,592
2023	10,158	13,000	9,881	33,039
2024	9,881	14,000	9,584	33,465
2025	9,584	14,000	9,286	32,870
2026	9,286	15,000	8,968	33,254
2027	8,968	16,000	8,628	33,596
2028	8,628	16,000	8,288	32,916
2029	8,288	17,000	7,926	33,214
2030	7,926	18,000	7,544	33,470
2031	7,544	19,000	7,140	33,684
2032	7,140	20,000	6,715	33,855
2033	6,715	21,000	6,269	33,984
2034	6,269	21,000	5,822	33,091
2035	5,823	22,000	5,355	33,178
2036	5,355	23,000	4,866	33,221
2037	4,866	24,000	4,356	33,222
2038	4,356	26,000	3,804	34,160
2039	3,804	27,000	3,230	34,034
2040	3,230	28,000	2,635	33,865
2041	2,635	29,000	2,019	33,654
2042	2,019	30,000	1,381	33,400
2043	1,381	32,000	701	34,082
2044	701	33,000	-	33,701
	<u>\$300,501</u>	<u>\$ 613,000</u>	<u>\$ 287,474</u>	<u>\$1,200,975</u>

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003B

Water Supply System Junior Lien Revenue Bond, Series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Total</u>
2009	\$ 6,853	\$ 3,500	\$ 6,779	\$ 17,132
2010	6,779	4,000	6,694	17,473
2011	6,694	4,000	6,609	17,303
2012	6,609	4,500	6,513	17,622
2013	6,513	4,500	6,418	17,431
2014	6,418	4,500	6,322	17,240
2015	6,322	5,000	6,216	17,538
2016	6,216	5,000	6,109	17,325
2017	6,109	5,500	5,993	17,602
2018	5,993	5,500	5,876	17,369
2019	5,876	6,000	5,748	17,624
2020	5,748	6,000	5,621	17,369
2021	5,621	6,500	5,483	17,604
2022	5,483	6,500	5,344	17,327
2023	5,344	7,000	5,196	17,540
2024	5,196	7,500	5,036	17,732
2025	5,036	7,500	4,877	17,413
2026	4,877	8,000	4,707	17,584
2027	4,707	8,500	4,526	17,733
2028	4,526	8,500	4,346	17,372
2029	4,346	9,000	4,154	17,500
2030	4,154	9,500	3,953	17,607
2031	3,953	10,000	3,740	17,693
2032	3,740	10,500	3,517	17,757
2033	3,517	11,000	3,283	17,800
2034	3,283	11,500	3,039	17,822
2035	3,039	12,000	2,784	17,823
2036	2,784	12,500	2,518	17,802
2037	2,518	13,000	2,242	17,760
2038	2,242	13,500	1,955	17,697
2039	1,955	14,000	1,658	17,613
2040	1,658	14,500	1,349	17,507
2041	1,349	15,500	1,020	17,869
2042	1,020	16,000	680	17,700
2043	680	17,000	319	17,999
2044	319	15,000	-	15,319
	<u>\$157,477</u>	<u>\$ 322,500</u>	<u>\$ 150,624</u>	<u>\$ 630,601</u>

NOTE G - LONG-TERM DEBT (CONTINUED)

WASTEWATER IMPROVEMENT BONDS, SERIES 2005

Wastewater improvement bonds (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>April 1</u>	<u>Interest</u> <u>October 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u>
2009	\$ 21,450	\$ 21,450	\$ 130,000	\$ 172,900
2010	20,394	20,394	130,000	170,788
2011	19,338	19,338	130,000	168,676
2012	18,281	18,281	135,000	171,562
2013	17,184	17,184	135,000	169,368
2014	16,088	16,088	140,000	172,176
2015	14,950	14,950	140,000	169,900
2016	13,812	13,812	145,000	172,624
2017	12,634	12,634	145,000	170,268
2018	11,456	11,456	145,000	167,912
2019	10,278	10,278	150,000	170,556
2020	9,059	9,059	150,000	168,118
2021	7,841	7,841	155,000	170,682
2022	6,581	6,581	155,000	168,162
2023	5,322	5,322	160,000	170,644
2024	4,022	4,022	160,000	168,044
2025	2,722	2,722	165,000	170,444
2026	<u>1,381</u>	<u>1,381</u>	<u>170,000</u>	<u>172,762</u>
	<u>\$212,793</u>	<u>\$ 212,793</u>	<u>\$2,640,000</u>	<u>\$3,065,586</u>

EQUIPMENT TRUCK/FIRE APPARATUS INSTALLMENT AGREEMENT

Installment agreement (\$75,000 issued and outstanding) dated March 14, 2007, matures annually on March 13, 2008 through March 13, 2011 with interest at 4.43% per annum.

<u>Due Year Ended</u> <u>February 28,</u>	<u>October 18,</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ 17,549	\$ 3,323	\$ 20,872
2010	18,327	2,545	20,872
2011	19,138	1,733	20,871
2012	<u>19,986</u>	<u>885</u>	<u>20,871</u>
	<u>\$ 75,000</u>	<u>\$ 8,486</u>	<u>\$ 83,486</u>

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosures of segment information for certain individual Enterprise Funds. The Village maintains three Enterprise Funds: the Water Fund, to account for the provision of water to the residents of the Village; the Sewer Fund, to administer the operations of the Baraga Village/ Keweenaw Bay Reservation Waste Water Authority; and the Electric Fund, to account for the provision of electricity to the residents of the Village.

NOTE H – SEGMENT INFORMATION (CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>
<u>CONDENSED STATEMENT OF NET ASSETS</u>		
Assets:		
Current assets	\$ 11,117	\$ –
Due from component unit	–	–
Interfund receivable	–	–
Capital assets	4,613,694	46
Other assets	<u>165,146</u>	<u>5,630,846</u>
Total assets	<u>\$4,789,957</u>	<u>\$5,630,892</u>
Liabilities:		
Interfund payables	\$ 66,250	\$ 12,478
Other current liabilities	58,603	207,260
Noncurrent liabilities	<u>1,707,000</u>	<u>2,510,000</u>
Total liabilities	<u>\$1,831,853</u>	<u>\$2,729,738</u>
Net assets:		
Invested in capital assets, net of related debt	\$2,877,194	\$ 46
Restricted for debt service	165,146	–
Unrestricted	<u>(84,236)</u>	<u>2,901,108</u>
Total net assets	<u>\$2,958,104</u>	<u>\$2,901,154</u>
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 404,532	\$ 242,856
Depreciation expense	(247,450)	(278)
Other operating expenses	<u>(313,203)</u>	<u>(109,908)</u>
Operating income	(\$ 156,121)	\$ 132,670
Nonoperating revenues (expenses):		
Investment income (loss)	997	(74,234)
Interest expense	(81,482)	(43,861)
Transfers in (out)	<u>14,211</u>	<u>–</u>
Change in net assets	(\$ 222,395)	\$ 14,575
Beginning net assets	<u>3,180,499</u>	<u>2,886,579</u>
Ending net assets	<u>\$2,958,104</u>	<u>\$2,901,154</u>
<u>CONDENSED STATEMENT OF CASH FLOWS</u>		
Net cash provided (used) by:		
Operating activities	\$ 95,866	\$ 189,556
Noncapital financing activities	14,211	–
Capital and related financing activities	(118,121)	(169,306)
Investing activities	<u>997</u>	<u>–</u>
Net increase (decrease)	(\$ 7,047)	\$ 20,250
Beginning cash and cash equivalents	<u>8,819</u>	<u>(58,089)</u>
Ending cash and cash equivalents	<u>\$ 1,772</u>	<u>(\$ 37,839)</u>

Electric Fund	Total Enterprise Fund
\$ 672,912	\$ 684,029
3,000	3,000
867	867
388,277	5,002,017
<u>100,370</u>	<u>5,896,362</u>
<u>\$1,165,426</u>	<u>\$11,586,275</u>
\$ 22,482	\$ 101,210
158,957	424,820
<u>-</u>	<u>4,217,000</u>
<u>\$ 181,439</u>	<u>\$ 4,743,030</u>
\$ 388,277	\$ 3,265,517
-	165,146
<u>595,710</u>	<u>3,412,582</u>
<u>\$ 983,987</u>	<u>\$ 6,843,245</u>
\$2,098,875	\$ 2,746,263
(58,823)	(306,551)
(<u>2,035,458</u>)	(<u>2,458,569</u>)
\$ 4,594	(\$ 18,857)
52,218	(21,019)
-	(125,343)
(<u>366,000</u>)	(<u>351,789</u>)
(\$ 309,188)	(\$ 517,008)
<u>1,293,175</u>	<u>7,360,253</u>
<u>\$ 983,987</u>	<u>\$ 6,843,245</u>
\$ 105,034	\$ 390,456
(349,107)	(334,896)
(6,669)	(294,096)
<u>95,118</u>	<u>96,115</u>
(\$ 155,624)	(\$ 142,421)
<u>471,180</u>	<u>421,910</u>
<u>\$ 315,556</u>	<u>\$ 279,489</u>

NOTE I - INVESTMENT IN BARAGA VILLAGE/KEWEENAW BAY
RESERVATION WASTE WATER AUTHORITY

The Village of Baraga and the Keweenaw Bay Indian Community entered into an agreement on September 27, 1995 for the purpose of creating the Baraga Village/ Keweenaw Bay Reservation Waste Water Authority Board. The Board shall own, operate and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Board shall employ the Village of Baraga as System Operator to operate and maintain the System and shall pay the Village for such services.

The Village utilizes the equity method of accounting for the activity in its investment in the facility. Under the equity method the investment is adjusted for any additional capital investments made and it's proportionate share of the facility's results of operations.

On September 1, 1996, the following assets and liabilities of the Village of Baraga were transferred to the Authority:

Property, plant, and equipment	\$6,066,181
Accumulated depreciation	(1,223,556)
Allowance for doubtful accounts	(2,498)
Accounts payable	(67,247)
Accrued interest	(6,334)
Revenue bonds payable	(<u>1,373,000</u>)
NET INVESTMENT	<u>\$3,393,546</u>

Baraga Village/Keweenaw Bay Reservation Waste Water Authority issues separate financial statements available from the Village's office.

A summary of condensed financial information as of February 29, 2008, for the Board, in the aggregate is as follows:

Assets	\$6,748,215
Liabilities	59,330
Net assets	6,688,885
Revenues	453,357
Expenses	526,577
Other income (expenses)	(148,312)
Capital contributions	406,303
Change in net assets	184,771
Depreciation on property, plant and equipment contributed by the Village and Community	150,309
Village's share of increase (decrease) in net assets	165,814
Village's share of depreciation on fixed assets contributed	121,750

Included in expenses above is \$96,456 paid to the Village for services provided for the Board.

NOTE J - RETIREMENT PLAN

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

The qualified employees includes all full time employees of the Village with the exception of the Village Manager. Benefits vest after ten years of service. Village employees who retire at or after the age of 55 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 2.25% of final average compensation. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Village ordinance.

Village employees are not required to contribute to the plan. The Village contributes to the plan quarterly based on actuarial calculated contributions.

Contributions were made in accordance with actuarially determined contribution requirements.

As of December 31, 2007, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	7
Inactive vested members	2
Active plan participants:	
Active members - vested	9
Active members - nonvested	<u>0</u>
Total	<u>18</u>

Funding Status and Progress

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2007 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

NOTE J - RETIREMENT PLAN (CONTINUED)

GASB 25 INFORMATION (as of 12/31/07)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$1,470,335
Terminated employees not yet receiving benefits	38,781
Current employees -	
Accumulated employee contributions including allocated investment income	-
Employer financed	<u>930,828</u>
Total Actuarial Accrued Liability	\$2,439,944
Net Assets Available for Benefits at Actuarial Value	<u>1,592,802</u>
(Market Value is \$1,611,383)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ 847,142

GASB 27 INFORMATION (as of 12/31/07)

Fiscal Year Beginning	March 1, 2009
Annual Required Contribution (ARC)	\$ 100,164
Amortization Factor Used	0.055889

Additional information pertaining to the pension plan can be obtained from the Village's annual actuarial valuation report.

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three years.

NOTE L - BARAGA HOUSING COMMISSION

The financial statements of the Village of Baraga Housing Commission are not included in the general purpose financial statements of the Village of Baraga for the following reasons:

1. The Village does not approve budgets or budget amendments.
2. The Village is not responsible for fund deficits and does not receive any fund surplus.
3. The Village does not provide significant financial support.
4. The Village does not have significant fiscal management responsibilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - BARAGA HOUSING COMMISSION (CONTINUED)

The financial statements of the Village of Baraga Housing Commission are audited annually as a requirement of the Department of Housing and Urban Development. A summary of the audited financial information as of June 30, 2007, is as follows:

Total Assets	<u>\$ 951,689</u>
Total liabilities	<u>\$ 54,264</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 720,143
Unrestricted	<u>177,282</u>
NET ASSETS	<u>\$ 897,425</u>
Revenues	\$ 382,808
Expenses	<u>418,049</u>
Change in net assets	(\$ 35,241)
Net assets, beginning of year	<u>932,666</u>
Net assets, end of year	<u>\$ 897,425</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BARAGA, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 163,300	\$ 163,300	\$ 132,624	(\$ 30,676)
State grants	151,500	151,500	159,962	8,462
Keweenaw Bay Indian Community	20,000	20,000	22,125	2,125
Service charges	9,500	9,500	9,466	(34)
Other revenues	<u>314,300</u>	<u>314,300</u>	<u>386,179</u>	<u>71,879</u>
TOTAL REVENUES	<u>\$ 658,600</u>	<u>\$ 658,600</u>	<u>\$ 710,356</u>	<u>\$ 51,756</u>
Expenditures:				
General government administration	\$ 142,600	\$ 142,600	\$ 114,519	\$ 28,081
Public safety	190,100	190,100	185,725	(4,375)
Public works	124,800	124,800	89,480	35,320
Health and welfare	18,500	18,500	18,071	(429)
Culture and recreation	42,100	42,100	18,221	23,879
Debt service	86,000	86,000	128,307	(42,307)
Other expenditures	<u>544,900</u>	<u>544,900</u>	<u>514,243</u>	<u>30,657</u>
TOTAL EXPENDITURES	<u>\$1,149,000</u>	<u>\$1,149,000</u>	<u>\$1,068,566</u>	<u>(\$ 80,434)</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 490,400)</u>	<u>(\$ 490,400)</u>	<u>(\$ 358,210)</u>	<u>\$ 132,190</u>
Other financing sources (uses):				
Operating transfers in	\$ 528,400	\$ 528,400	\$ 375,000	(\$ 153,400)
Operating transfers out	<u>(59,000)</u>	<u>(59,000)</u>	<u>(52,224)</u>	<u>6,776</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 469,400</u>	<u>\$ 469,400</u>	<u>\$ 322,776</u>	<u>(\$ 146,624)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 21,000)</u>	<u>(\$ 21,000)</u>	<u>(\$ 35,434)</u>	<u>(\$ 14,434)</u>
Fund balance, beginning of year	<u>134,647</u>	<u>134,647</u>	<u>134,647</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 113,647</u></u>	<u><u>\$ 113,647</u></u>	<u><u>\$ 99,213</u></u>	<u><u>(\$ 14,434)</u></u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
 MAJOR STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 65,400	\$ 65,400	\$ 74,611	\$ 9,211
Other	<u>-</u>	<u>-</u>	<u>3,917</u>	<u>3,917</u>
TOTAL REVENUES	<u>\$ 65,400</u>	<u>\$ 65,400</u>	<u>\$ 78,528</u>	<u>\$ 13,128</u>
Expenditures:				
General government administration	\$ 21,900	\$ 21,900	\$ 6,024	\$ 15,876
Public works:				
Construction	5,000	5,000	-	5,000
Surface maintenance	35,200	35,200	52,176	(16,976)
Traffic services	1,300	1,300	828	472
Winter maintenance	<u>27,000</u>	<u>27,000</u>	<u>35,881</u>	<u>(8,881)</u>
TOTAL EXPENDITURES	<u>\$ 90,400</u>	<u>\$ 90,400</u>	<u>\$ 94,909</u>	<u>(\$ 4,509)</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 25,000)	(\$ 25,000)	(\$ 16,381)	\$ 8,619
Other financing sources (uses) -				
Operating transfers in (out)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 8,619	\$ 8,619
Fund balance, beginning of year	<u>49,229</u>	<u>49,229</u>	<u>49,229</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 49,229</u></u>	<u><u>\$ 49,229</u></u>	<u><u>\$ 57,848</u></u>	<u><u>\$ 8,619</u></u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 30,400	\$ 30,400	\$ 28,624	(\$ 1,776)
Other	<u>-</u>	<u>-</u>	<u>3,917</u>	<u>3,917</u>
TOTAL REVENUES	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 32,541</u>	<u>\$ 2,141</u>
Expenditures:				
General government administration	\$ 12,600	\$ 12,600	\$ 4,075	\$ 8,525
Public works:				
Construction	5,000	5,000	-	5,000
Surface maintenance	28,500	28,500	48,799	(20,299)
Traffic services	500	500	889	(389)
Winter maintenance	<u>29,000</u>	<u>29,000</u>	<u>38,533</u>	<u>(9,533)</u>
TOTAL EXPENDITURES	<u>\$ 75,600</u>	<u>\$ 75,600</u>	<u>\$ 92,296</u>	<u>(\$ 16,696)</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 45,200)	(\$ 45,200)	(\$ 59,755)	(\$ 14,555)
Other financing sources (uses) -				
Operating transfers in	<u>45,200</u>	<u>45,200</u>	<u>49,280</u>	<u>4,080</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	(\$ 10,475)	(\$ 10,475)
Fund balance, beginning of year	<u>11,163</u>	<u>11,163</u>	<u>11,163</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 11,163</u></u>	<u><u>\$ 11,163</u></u>	<u><u>\$ 688</u></u>	<u><u>(\$ 10,475)</u></u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
ROAD FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
Taxes	\$ 27,000	\$ 27,000	\$ 31,530	\$ 4,530
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 27,000	\$ 27,000	\$ 31,530	\$ 4,530
Other financing sources (uses) -				
Operating transfers in (out)	(<u>27,000</u>)	(<u>27,000</u>)	(<u>33,472</u>)	(<u>6,472</u>)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	(\$ 1,942)	(\$ 1,942)
Fund balance, beginning of year	<u>28,119</u>	<u>28,119</u>	<u>28,119</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 28,119</u>	<u>\$ 28,119</u>	<u>\$ 26,177</u>	<u>(\$ 1,942)</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
WATERFRONT FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Rents and fees	\$ 12,500	\$ 12,500	\$ 10,196	(\$ 2,304)
Expenditures -				
Culture and recreation	<u>12,500</u>	<u>12,500</u>	<u>12,956</u>	(<u>456</u>)
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(\$ 2,760)	(\$ 2,760)
Other financing sources (uses) -				
Operating transfers in	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 240	\$ 240
Fund balance, beginning of year	<u>13,268</u>	<u>13,268</u>	<u>13,268</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,268</u>	<u>\$ 13,268</u>	<u>\$ 13,508</u>	<u>\$ 240</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
HOUSING REHABILITATION FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Miscellaneous	\$ 2,000	\$ 2,000	\$ -	(\$ 2,000)
Expenditures -				
Other	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>12,377</u>	<u>12,377</u>	<u>12,377</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ -</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN
 REVOLVING LOAN FUND
 BUDGETARY COMPARISON SCHEDULE
 For the year ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 5,000	\$ 5,000	\$ 28,506	\$ 23,506
Loan revenue -				
Loan repayments	<u>-</u>	<u>-</u>	<u>35,657</u>	<u>35,657</u>
TOTAL REVENUES	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 64,163</u>	<u>\$ 59,163</u>
Expenditures:				
Loans and contingencies	\$ 187,000	\$ 187,000	\$ -	\$ 187,000
Other	<u>3,000</u>	<u>3,000</u>	<u>1,419</u>	<u>1,581</u>
TOTAL EXPENDITURES	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 1,419</u>	<u>\$ 188,581</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 185,000)	(\$ 185,000)	\$ 62,744	\$ 247,744
Other financing sources (uses) -				
Operating transfers out	(<u>10,000</u>)	(<u>10,000</u>)	(<u>10,000</u>)	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 195,000)	(\$ 195,000)	\$ 52,744	\$ 247,744
Fund balance, beginning of year	<u>302,442</u>	<u>302,442</u>	<u>302,442</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 107,442</u></u>	<u><u>\$ 107,442</u></u>	<u><u>\$ 355,186</u></u>	<u><u>\$ 247,744</u></u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended February 29, 2008

BUDGETARY INFORMATION

A draft of the budget is prepared by the Village Manager. The budget is then finalized during a series of budget work sessions with the Village Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in February before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 29, 2008, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Road Fund	\$ 27,000	\$ 33,472
Waterfront Fund	\$ 12,500	\$ 12,956
Local Street Fund	\$ 75,600	\$ 92,296
Major Street Fund	\$ 90,400	\$ 94,909

OTHER FINANCIAL INFORMATION

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND
DETAILS OF REVENUES AND OPERATING TRANSFERS IN
BUDGET AND ACTUAL
For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL PROPERTY TAXES</u>		
Current tax levy	\$ 152,000	\$ 114,423
Interest and penalties	300	8
Administrative fees	1,000	1,428
Delinquent taxes	<u>10,000</u>	<u>16,765</u>
TOTAL GENERAL PROPERTY TAXES	<u>\$ 163,300</u>	<u>\$ 132,624</u>
 <u>INTERGOVERNMENTAL REVENUES</u>		
State shared revenues	\$ 150,000	\$ 158,427
Liquor license	1,500	1,535
Keweenaw Bay Indian Community	<u>20,000</u>	<u>22,125</u>
TOTAL INTERGOVERNMENTAL REVENUES	<u>\$ 171,500</u>	<u>\$ 182,087</u>
 <u>SERVICE CHARGES</u>		
Sales of cemetery lots	\$ 500	\$ 650
Industrial park rentals	5,000	2,810
Other rentals and charges	<u>4,000</u>	<u>6,006</u>
TOTAL SERVICE CHARGES	<u>\$ 9,500</u>	<u>\$ 9,466</u>
 <u>OTHER</u>		
Investment income	\$ 5,000	\$ 27,187
Gain from sale of asset	-	2,500
Reimbursements	249,800	262,249
District court ordinance fees	900	1,377
Loan proceeds	-	75,000
Miscellaneous	<u>58,600</u>	<u>17,866</u>
TOTAL OTHER	<u>\$ 314,300</u>	<u>\$ 386,179</u>
 <u>OPERATING TRANSFERS IN</u>		
Other funds	\$ 523,400	\$ 370,000
Component unit	<u>5,000</u>	<u>5,000</u>
TOTAL OPERATING TRANSFERS IN	<u>\$ 528,400</u>	<u>\$ 375,000</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND

DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT

BUDGET AND ACTUAL

For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>		
Village Council:		
Salaries and wages	\$ 16,500	\$ 14,295
Dues and memberships	2,500	1,919
Printing and publishing	3,000	1,869
Conventions and travel	1,000	65
Contracted services	1,900	5,597
Miscellaneous	<u>1,000</u>	<u>2,269</u>
	<u>\$ 25,900</u>	<u>\$ 26,014</u>
Village Manager:		
Salaries and wages	\$ 25,000	\$ 11,573
Operating supplies	1,500	267
Vehicle expense	3,900	3,250
Telephone	1,200	524
Conventions and travel	5,500	1,617
Miscellaneous	<u>1,100</u>	<u>2,132</u>
	<u>\$ 38,200</u>	<u>\$ 19,363</u>
Election expense:		
Salaries and wages	\$ 100	\$ -
Operating supplies	100	-
Printing and publishing	500	-
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 800</u>	<u>\$ -</u>
Attorney - professional fees	<u>\$ 15,000</u>	<u>\$ 4,971</u>
Clerk:		
Salaries	\$ 7,000	\$ 5,995
Office supplies	500	119
Printing and publishing	300	-
Conventions and travel	500	-
Miscellaneous	<u>100</u>	<u>65</u>
	<u>\$ 8,400</u>	<u>\$ 6,179</u>
Treasurer:		
Salaries and wages	\$ 3,100	\$ 2,500
Operating supplies	1,000	340
Printing and publishing	1,000	791
Miscellaneous	<u>100</u>	<u>103</u>
	<u>\$ 5,200</u>	<u>\$ 3,734</u>
General administrative:		
Salaries and wages	\$ 23,000	\$ 26,012
Operating supplies	7,000	11,644
Utilities	8,000	8,062
Contracted services	10,000	8,528
Conventions and travel	-	12
Miscellaneous	600	-
Capital outlay	<u>500</u>	<u>-</u>
	<u>\$ 49,100</u>	<u>\$ 54,258</u>
TOTAL GENERAL GOVERNMENT	<u><u>\$142,600</u></u>	<u><u>\$114,519</u></u>

VILLAGE OF BARAGA, MICHIGAN
GENERAL FUND
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT
BUDGET AND ACTUAL (CONTINUED)
For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>
<u>PUBLIC SAFETY</u>		
Police department:		
Salaries and wages	\$133,800	\$121,272
Operating supplies	4,000	4,166
Utilities	2,000	2,178
Vehicle expense	5,500	10,845
Telephone	2,000	1,502
Conventions and travel	2,000	506
Miscellaneous	700	3,563
Capital outlay	<u>12,000</u>	<u>-</u>
	<u>\$162,000</u>	<u>\$144,032</u>
 Fire department:		
Salaries and wages	\$ 12,500	\$ 15,875
Operating supplies	3,500	11,425
Vehicle expense	4,000	1,465
Utilities	5,000	5,431
Contracted services	500	2,610
Debt service	86,000	128,307
Miscellaneous	<u>2,600</u>	<u>4,887</u>
	<u>\$114,100</u>	<u>\$170,000</u>
TOTAL PUBLIC SAFETY	<u>\$276,100</u>	<u>\$314,032</u>
 <u>PUBLIC WORKS</u>		
Cemetery:		
Salaries and wages	\$ 3,000	\$ 1,037
Operating supplies	500	367
Utilities	300	-
Equipment rental	500	166
Contracted services	500	-
Capital outlay	<u>18,500</u>	<u>-</u>
	<u>\$ 23,300</u>	<u>\$ 1,570</u>
 Garage and equipment:		
Salaries and wages	\$ 44,000	\$ 34,092
Operating supplies	20,000	23,722
Equipment rental	6,000	6,058
Contracted services	11,000	9,093
Utilities	11,500	10,305
Conventions and travel	4,500	4,190
Miscellaneous	500	450
Capital outlay	<u>4,000</u>	<u>-</u>
	<u>\$101,500</u>	<u>\$ 87,910</u>
TOTAL PUBLIC WORKS	<u>\$124,800</u>	<u>\$ 89,480</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND

DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT

BUDGET AND ACTUAL (CONTINUED)

For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>
<u>HEALTH AND WELFARE</u>		
Public housing - salaries and wages	\$ 500	\$ 520
Community promotion - community projects	<u>18,000</u>	<u>17,551</u>
TOTAL HEALTH AND WELFARE	<u>\$ 18,500</u>	<u>\$ 18,071</u>
<u>CULTURE AND RECREATION</u>		
Village parks and recreation:		
Salaries	\$ 5,500	\$ 355
Operating supplies	1,000	1,093
Repairs and maintenance	1,500	652
Contracted services	2,500	-
Utilities	12,000	15,290
Equipment rental	1,000	831
Capital outlay	18,500	-
Miscellaneous	<u>100</u>	<u>-</u>
TOTAL CULTURE AND RECREATION	<u>\$ 42,100</u>	<u>\$ 18,221</u>
<u>OTHER</u>		
Insurance and bonds	\$ 56,000	\$ 58,926
Payroll taxes	50,000	45,519
Retirement plan	124,800	111,009
Hospitalization insurance	226,600	244,542
Vacation, holiday, and sick pay	54,000	47,146
Clothing allowance	3,500	2,185
Capital outlay	10,100	-
Miscellaneous	16,100	4,916
Contracted services	<u>3,800</u>	<u>-</u>
TOTAL OTHER	<u>\$544,900</u>	<u>\$514,243</u>
<u>OPERATING TRANSFERS OUT</u>		
Component unit	<u>\$ 59,000</u>	<u>\$ 52,224</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
February 29, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>			
Cash in bank	\$ 77,628	\$ 4,012	\$ -
Delinquent taxes receivable	-	-	12,672
Notes receivable	-	-	-
Due from other funds	3,917	12,117	32,811
Due from component unit	-	-	-
Due from other governmental units	-	-	5,200
TOTAL ASSETS	<u>\$ 81,545</u>	<u>\$ 16,129</u>	<u>\$ 50,683</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes	\$ 173	\$ 322	\$ -
Due to other funds	23,524	15,119	11,834
Deferred revenue	-	-	12,672
TOTAL LIABILITIES	<u>\$ 23,697</u>	<u>\$ 15,441</u>	<u>\$ 24,506</u>
<u>FUND BALANCES</u>			
Unreserved	<u>57,848</u>	<u>688</u>	<u>26,177</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 81,545</u>	<u>\$ 16,129</u>	<u>\$ 50,683</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 368	\$ 9,792	\$ 359,464	\$ 451,264
-	-	-	12,672
-	2,585	768,811	771,396
13,978	-	-	62,823
-	-	50	50
-	-	-	5,200
<u>\$ 14,346</u>	<u>\$ 12,377</u>	<u>\$1,128,325</u>	<u>\$1,303,405</u>
\$ -	\$ -	\$ 50	\$ 545
838	-	4,278	55,593
-	-	768,811	781,483
<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 773,139</u>	<u>\$ 837,621</u>
13,508	12,377	355,186	465,784
<u>\$ 14,346</u>	<u>\$ 12,377</u>	<u>\$1,128,325</u>	<u>\$1,303,405</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended February 29, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES</u>			
Current tax levy	\$ -	\$ -	\$ 31,530
Intergovernmental revenues	74,611	28,624	-
Interest income	-	-	-
Other	<u>3,917</u>	<u>3,917</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 78,528</u>	<u>\$ 32,541</u>	<u>\$ 31,530</u>
<u>EXPENDITURES</u>			
Administration	\$ 6,024	\$ 4,075	\$ -
Culture and recreation	-	-	-
Economic development	-	-	-
Streets:			
Surface maintenance	52,176	48,799	-
Winter maintenance	35,881	38,533	-
Traffic services	<u>828</u>	<u>889</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 94,909</u>	<u>\$ 92,296</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(<u>\$ 16,381</u>)	(<u>\$ 59,755</u>)	<u>\$ 31,530</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other funds	\$ -	\$ 24,280	\$ -
Operating transfers to other funds	-	-	(24,280)
Operating transfers from component units	25,000	25,000	-
Operating transfers to component units	<u>-</u>	<u>-</u>	<u>(9,192)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 25,000</u>	<u>\$ 49,280</u>	<u>(\$ 33,472)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 8,619	(\$ 10,475)	(\$ 1,942)
Fund balances, beginning of year	<u>49,229</u>	<u>11,163</u>	<u>28,119</u>
FUND BALANCES, END OF YEAR	<u>\$ 57,848</u>	<u>\$ 688</u>	<u>\$ 26,177</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$	\$ -	\$ 31,530
-		-	103,235
-		28,506	28,506
<u>10,196</u>	<u>-</u>	<u>35,657</u>	<u>53,687</u>
\$ 10,196	\$ -	\$ 64,163	\$ 216,958
\$ -	\$ -	\$ -	\$ 10,099
12,956	-	-	12,956
-	-	1,419	1,419
-	-	-	100,975
-	-	-	74,414
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717</u>
\$ 12,956	\$ -	\$ 1,419	\$ 201,580
(\$ 2,760)	\$ -	\$ 62,744	\$ 15,378
\$ 3,000	\$ -	\$ -	\$ 27,280
-	-	(10,000)	(34,280)
-	-	-	50,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,192)</u>
\$ 3,000	\$ -	(\$ 10,000)	\$ 33,808
\$ 240	\$ -	\$ 52,744	\$ 49,186
<u>13,268</u>	<u>12,377</u>	<u>302,442</u>	<u>416,598</u>
<u>\$ 13,508</u>	<u>\$ 12,377</u>	<u>\$ 355,186</u>	<u>\$ 465,784</u>

VILLAGE OF BARAGA, MICHIGAN
 PROPRIETARY FUNDS - ENTERPRISE
 COMBINING BALANCE SHEET
 February 29, 2008

	<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>
<u>CURRENT ASSETS</u>			
Cash in bank		\$ 1,772	\$ -
Investments		-	-
Investment in joint venture		-	-
Accounts receivable		9,345	-
Due from other funds		-	-
Due from component units		-	-
	TOTAL CURRENT ASSETS	<u>\$ 11,117</u>	<u>\$ -</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Property, plant, and equipment		\$7,168,201	\$ 8,480
Accumulated depreciation		(2,554,507)	(8,434)
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$4,613,694</u>	<u>\$ 46</u>
<u>OTHER ASSETS</u>			
Restricted assets - cash		\$ 165,146	\$ -
Due from other governmental units		-	-
Investment in Baraga Village/Keweenaw Bay			
Reservation Waste Water Authority		-	5,630,846
	TOTAL OTHER ASSETS	<u>\$ 165,146</u>	<u>\$5,630,846</u>
	TOTAL ASSETS	<u><u>\$4,789,957</u></u>	<u><u>\$5,630,892</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes		\$ 7,610	\$ 1,403
Cash overdraft		-	37,839
Accrued interest payable		21,493	16,680
Due to other funds		66,250	12,478
Due to other governmental units		-	21,338
Payable from restricted assets - customer deposits		-	-
Current maturities on long-term debt		29,500	130,000
	TOTAL CURRENT LIABILITIES	\$ 124,853	\$ 219,738
<u>LONG-TERM LIABILITIES</u>			
Revenue bonds payable, net of current maturities		1,707,000	2,510,000
	TOTAL LIABILITIES	<u>\$1,831,853</u>	<u>\$2,729,738</u>
<u>FUND EQUITY</u>			
Contributed capital		\$3,338,503	\$1,993,486
Retained earnings (deficit) - unreserved		(467,692)	907,668
Retained earnings - reserved for bond retirement		87,293	-
	TOTAL FUND EQUITY	<u>\$2,958,104</u>	<u>\$2,901,154</u>
	TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$4,789,957</u></u>	<u><u>\$5,630,892</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 315,556	\$ 317,328
199,515	199,515
132,973	132,973
24,868	34,213
867	867
<u>3,000</u>	<u>3,000</u>
<u>\$ 676,779</u>	<u>\$ 687,896</u>
\$1,466,088	\$ 8,642,769
(<u>1,077,811</u>)	(<u>3,640,752</u>)
<u>\$ 388,277</u>	<u>\$ 5,002,017</u>
\$ 48,995	\$ 214,141
51,375	51,375
<u>-</u>	<u>5,630,846</u>
<u>\$ 100,370</u>	<u>\$ 5,896,362</u>
<u>\$1,165,426</u>	<u>\$11,586,275</u>
\$ 109,962	\$ 118,975
-	37,839
-	38,173
22,482	101,210
-	21,338
48,995	48,995
<u>-</u>	<u>159,500</u>
\$ 181,439	\$ 526,030
<u>-</u>	<u>4,217,000</u>
<u>\$ 181,439</u>	<u>\$ 4,743,030</u>
\$ 115,404	\$ 5,447,393
868,583	1,308,559
<u>-</u>	<u>87,293</u>
<u>\$ 983,987</u>	<u>\$ 6,843,245</u>
<u>\$1,165,426</u>	<u>\$11,586,275</u>

PROPRIETARY FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
For the year ended February 29, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	Total (Memorandum Only)
<u>OPERATING REVENUES</u>	\$ 404,532	\$ 242,856	\$2,098,875	\$ 2,746,263
<u>OPERATING EXPENSES</u>				
See schedule	<u>560,653</u>	<u>110,186</u>	<u>2,094,281</u>	<u>2,765,120</u>
OPERATING INCOME (LOSS)	(\$ 156,121)	\$ 132,670	\$ 4,594	(\$ 18,857)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	\$ 997	\$ -	\$ 24,445	\$ 25,442
Interest expense on notes and bonds	(81,482)	(43,861)	-	(125,343)
Distributions	-	-	27,773	27,773
Income (loss) from investments	<u>-</u>	<u>(74,234)</u>	<u>-</u>	<u>(74,234)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 80,485)	(\$ 118,095)	\$ 52,218	(\$ 146,362)
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	(\$ 236,606)	\$ 14,575	\$ 56,812	(\$ 165,219)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers from other governmental units - KBIC	\$ 11,211	\$ -	\$ -	\$ 11,211
Operating transfers from other funds	3,000	-	-	3,000
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>(366,000)</u>	<u>(366,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 14,211	\$ -	(\$ 366,000)	(\$ 351,789)
NET INCOME (LOSS)	(\$ 222,395)	\$ 14,575	(\$ 309,188)	(\$ 517,008)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	<u>74,131</u>	<u>121,750</u>	<u>31,013</u>	<u>226,894</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 148,264)	\$ 136,325	(\$ 278,175)	(\$ 290,114)
Retained earnings (deficit) beginning of year	(232,135)	771,343	1,146,758	1,685,966
RETAINED EARNINGS (DEFICIT) END OF YEAR	<u>(\$ 380,399)</u>	<u>\$ 907,668</u>	<u>\$ 868,583</u>	<u>\$ 1,395,852</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE
COMBINING SCHEDULE OF OPERATING EXPENSES
For the year ended February 29, 2008

<u>OPERATING EXPENSES</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	Total (Memorandum Only)
Salaries and wages	\$ 111,841	\$ 52,908	\$ 38,519	\$ 203,268
Vacation, holiday, and sick pay	9,335	5,779	3,912	19,026
Payroll taxes	8,556	4,047	2,947	15,550
Retirement plan	18,892	11,695	7,917	38,504
Hospitalization insurance	39,811	24,645	16,888	81,344
Health savings	4,463	2,763	1,870	9,096
Power purchased	-	-	1,789,343	1,789,343
Office supplies and postage	1,662	1,662	1,662	4,896
Operating supplies	33,518	1,675	26,348	61,541
Repairs and maintenance	8,914	1,068	-	9,982
Equipment rental	5,900	43	63	6,006
Sales tax	-	-	54,979	54,979
Utilities	53,727	-	-	53,727
Insurance and bonds	276	13	8	297
Contracted services	9,889	2,550	87,630	100,069
Provision for depreciation	247,450	278	58,823	306,551
Miscellaneous	<u>6,419</u>	<u>1,060</u>	<u>3,372</u>	<u>10,851</u>
TOTAL OPERATING EXPENSES	<u>\$ 560,653</u>	<u>\$ 110,186</u>	<u>\$ 2,094,281</u>	<u>\$ 2,765,120</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN
 PROPRIETARY FUNDS - ENTERPRISE
 COMBINING STATEMENT OF CASH FLOWS
 For the year ended February 29, 2008

	<u>Water</u>	<u>Sewer</u>
<u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
Operating income (loss)	(\$ 156,121)	\$ 132,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	247,450	278
Changes in assets and liabilities:		
Accounts receivable (increase) decrease	(3,779)	-
Due from other governmental units	-	33,288
Due to other governmental units	-	21,338
Accounts payable increase (decrease)	<u>1,635</u>	<u>425</u>
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 89,185</u>	<u>\$ 187,999</u>
<u>CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</u>		
Due to other funds increase (decrease)	\$ 6,097	\$ 1,557
Due from other funds (increase) decrease	584	-
Due from other governmental units (increase) decrease	-	-
Transfers from other governmental units	11,211	-
Transfers from other funds	3,000	-
Transfers to other funds	<u>-</u>	<u>-</u>
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>\$ 20,892</u>	<u>\$ 1,557</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Restricted assets (increase) decrease	(\$ 7,761)	\$ -
Payments on revenue bonds	(28,500)	(125,000)
Interest paid on revenue bonds	(81,860)	(44,707)
Bond proceeds	<u>-</u>	<u>-</u>
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(\$ 118,121)</u>	<u>(\$ 169,306)</u>
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>		
Interest received on investments	\$ 997	\$ -
Investments (increase) decrease	-	-
Distributions from investments	<u>-</u>	<u>-</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 997</u>	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH	(\$ 7,047)	\$ 20,250
Cash, beginning of year	<u>8,819</u>	(58,089)
CASH, END OF YEAR	<u><u>\$ 1,772</u></u>	<u><u>(\$ 37,839)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 4,594	(\$ 18,859)
58,823	306,551
(11,610)	(15,389)
-	33,288
-	21,338
<u>51,966</u>	<u>54,026</u>
<u>\$ 103,773</u>	<u>\$ 380,957</u>
\$ 1,261	\$ 8,915
-	584
16,893	16,893
-	11,211
-	3,000
(<u>366,000</u>)	(<u>366,000</u>)
(<u>\$ 347,846</u>)	(<u>\$ 325,397</u>)
(\$ 6,669)	(\$ 14,430)
-	(153,500)
-	(126,567)
<u>-</u>	<u>401</u>
(<u>\$ 6,669</u>)	(<u>\$ 294,096</u>)
\$ 24,445	\$ 25,442
42,900	42,900
<u>27,773</u>	<u>27,773</u>
<u>\$ 95,118</u>	<u>\$ 96,115</u>
(\$ 155,624)	(\$ 142,421)
<u>471,180</u>	<u>421,910</u>
<u><u>\$ 315,556</u></u>	<u><u>\$ 279,489</u></u>

VILLAGE OF BARAGA, MICHIGAN

WATER FUND
BALANCE SHEETS

	February 29, <u>2008</u>	February 28, <u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 1,772	\$ 8,819
Accounts receivable	9,345	5,566
Due from other funds	<u>-</u>	<u>584</u>
TOTAL CURRENT ASSETS	<u>\$ 11,117</u>	<u>\$ 14,969</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 7,168,201	\$ 7,168,201
Accumulated depreciation	<u>(2,554,507)</u>	<u>(2,307,057)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 4,613,694</u>	<u>\$ 4,861,144</u>
<u>OTHER ASSETS</u>		
Restricted assets - cash	<u>\$ 165,146</u>	<u>\$ 157,385</u>
TOTAL ASSETS	<u>\$ 4,789,957</u>	<u>\$ 5,033,498</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 7,610	\$ 5,975
Accrued interest payable	21,493	21,871
Due to other funds	66,250	60,153
Current maturities on long-term debt	<u>29,500</u>	<u>28,500</u>
TOTAL CURRENT LIABILITIES	\$ 124,853	\$ 116,499
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>1,707,000</u>	<u>1,736,500</u>
TOTAL LIABILITIES	<u>\$ 1,831,853</u>	<u>\$ 1,852,999</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 3,338,503	\$ 3,412,634
Retained earnings (deficit) - unreserved	<u>(467,692)</u>	<u>(328,763)</u>
Retained earnings - reserved:		
Revenue bond retirement	26,292	31,345
Bond reserve accounts	<u>61,001</u>	<u>65,283</u>
TOTAL FUND EQUITY	<u>\$ 2,958,104</u>	<u>\$ 3,180,499</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,789,957</u>	<u>\$ 5,033,498</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 29,</u>	<u>February 28,</u>
	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>	\$ 404,532	\$ 415,779
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 111,841	\$ 129,486
Vacation, holiday, and sick pay	9,335	10,372
Payroll taxes	8,556	9,906
Retirement plan	18,892	21,383
Hospitalization insurance	39,811	38,026
Health savings	4,463	-
Office supplies	1,662	282
Operating supplies	33,518	31,262
Repairs and maintenance	8,914	11,274
Equipment rental	5,900	9,116
Utilities and heating	53,727	50,399
Insurance and bonds	276	4,664
Contracted services	9,889	18,674
Provision for depreciation	247,450	250,368
Miscellaneous	6,419	5,419
TOTAL OPERATING EXPENSES	\$ 560,653	\$ 590,631
OPERATING INCOME (LOSS)	(\$ 156,121)	(\$ 174,852)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 997	\$ 2,611
Interest expense on bonds	(81,482)	(88,513)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 80,485)	(\$ 85,902)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating transfers from other governmental units - KBIC	\$ 11,211	\$ 27,772
Transfers from other funds	3,000	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 14,211	\$ 27,772
NET INCOME (LOSS)	(\$ 222,395)	(\$ 232,982)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	74,131	74,135
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 148,264)	(\$ 158,847)
Retained earnings (deficit), beginning of year	(232,135)	(73,288)
RETAINED EARNINGS (DEFICIT), END OF YEAR	(\$ 380,399)	(\$ 232,135)

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL

For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	<u>\$ 430,300</u>	<u>\$ 404,532</u>	<u>(\$ 25,768)</u>
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 125,000	\$ 111,841	\$ 13,159
Vacation, holiday, and sick pay	-	9,335	(9,335)
Payroll taxes	71,900	8,556	63,344
Retirement plan	-	18,892	(18,892)
Hospitalization insurance	-	39,811	(39,811)
Office supplies	100	1,662	(1,562)
Health savings	-	4,463	(4,463)
Operating supplies	35,000	33,518	1,482
Repairs and maintenance	13,900	8,914	4,986
Equipment rental	3,800	5,900	(2,100)
Utilities and heating	50,000	53,727	(3,727)
Insurance and bonds	1,000	276	724
Contracted services	12,200	9,889	2,311
Provision for depreciation	-	247,450	(247,450)
Miscellaneous	<u>4,900</u>	<u>6,419</u>	<u>(1,519)</u>
TOTAL OPERATING EXPENSES	<u>\$ 317,800</u>	<u>\$ 560,653</u>	<u>(\$ 242,853)</u>
OPERATING INCOME (LOSS)	<u>\$ 112,500</u>	<u>(\$ 156,121)</u>	<u>(\$ 268,621)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	\$ 1,000	\$ 997	(\$ 3)
Interest expense on bonds	<u>(133,300)</u>	<u>(81,482)</u>	<u>51,818</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(\$ 132,300)</u>	<u>(\$ 80,485)</u>	<u>\$ 51,815</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other governmental units	\$ 19,800	\$ 11,211	(\$ 8,589)
Transfers from other funds	<u>-</u>	<u>3,000</u>	<u>3,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 19,800</u>	<u>\$ 14,211</u>	<u>(\$ 5,589)</u>
NET INCOME (LOSS)	\$ -	(\$ 222,395)	(\$ 222,395)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>-</u>	<u>74,131</u>	<u>74,131</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	(\$ 148,264)	(\$ 148,264)
Retained earnings (deficit), beginning of year	<u>(232,135)</u>	<u>(232,135)</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>(\$ 232,135)</u>	<u>(\$ 380,399)</u>	<u>(\$ 148,264)</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND
BALANCE SHEETS

	February 29, 2008	February 28, 2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Due from other governmental units	\$ -	\$ 33,288
Bond proceeds receivable	<u>-</u>	<u>401</u>
TOTAL CURRENT ASSETS	<u>\$ -</u>	<u>\$ 33,689</u>
<u>PROPERTY AND EQUIPMENT</u>		
Equipment	\$ 8,480	\$ 8,480
Accumulated depreciation	<u>(8,434)</u>	<u>(8,156)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 46</u>	<u>\$ 324</u>
<u>OTHER ASSETS</u>		
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	<u>\$ 5,630,846</u>	<u>\$ 5,705,080</u>
TOTAL ASSETS	<u><u>\$ 5,630,892</u></u>	<u><u>\$ 5,739,093</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Cash overdraft	\$ 37,839	\$ 58,089
Accounts payable, compensation, and payroll taxes	1,403	978
Accrued interest payable	16,680	17,526
Due to other funds	12,478	10,921
Due to other governmental units	21,338	-
Current maturities on long-term debt	<u>130,000</u>	<u>125,000</u>
TOTAL CURRENT LIABILITIES	\$ 219,738	\$ 212,514
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>2,510,000</u>	<u>2,640,000</u>
TOTAL LIABILITIES	<u>\$ 2,729,738</u>	<u>\$ 2,852,514</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 1,993,486	\$ 2,115,236
Retained earnings (deficit) - Unreserved	<u>907,668</u>	<u>771,343</u>
TOTAL FUND EQUITY	<u>\$ 2,901,154</u>	<u>\$ 2,886,579</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 5,630,892</u></u>	<u><u>\$ 5,739,093</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 29, 2008</u>	<u>February 28, 2007</u>
<u>OPERATING REVENUES</u>	\$ 242,856	\$ 260,908
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 52,908	\$ 64,405
Vacation, holiday, and sick pay	5,779	6,421
Payroll taxes	4,047	5,149
Retirement plan	11,695	13,237
Hospitalization insurance	24,645	23,540
Health savings	2,763	-
Office supplies and postage	1,662	242
Operating supplies	1,675	4,708
Repairs and maintenance	1,068	1,614
Equipment rental	43	-
Insurance and bonds	13	2,729
Contracted services	2,550	4,965
Provision for depreciation	278	278
Miscellaneous	1,060	-
TOTAL OPERATING EXPENSES	<u>\$ 110,186</u>	<u>\$ 127,288</u>
OPERATING INCOME (LOSS)	<u>\$ 132,670</u>	<u>\$ 133,620</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain (loss) from investment in Baraga Village/ Keweenaw Bay Reservation Waste Water Authority	(\$ 74,234)	(\$ 79,752)
Interest expense on bonds	(43,861)	(37,752)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(\$ 118,095)</u>	<u>(\$ 117,504)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Contributed capital	<u>\$ -</u>	<u>\$ 279,500</u>
NET INCOME (LOSS)	\$ 14,575	\$ 295,616
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>121,750</u>	<u>121,750</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ 136,325	\$ 417,366
Retained earnings, beginning of year	<u>771,343</u>	<u>353,977</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 907,668</u></u>	<u><u>\$ 771,343</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	\$ -	\$ 242,856	\$ 242,856
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 68,000	\$ 52,908	\$ 15,092
Vacation, holiday, and sick pay	-	5,779	(5,779)
Payroll taxes	49,000	4,047	44,953
Retirement plan	-	11,695	(11,695)
Hospitalization insurance	-	24,645	(24,645)
Health savings	-	2,763	(2,763)
Office supplies and postage	-	1,662	(1,662)
Operating supplies	12,000	1,675	10,325
Repairs and maintenance	6,000	1,068	4,932
Equipment rental	1,500	43	1,457
Utilities	1,100	-	1,100
Insurance and bonds	2,500	13	2,487
Contracted services	8,000	2,550	5,450
Provision for depreciation	-	278	(278)
Miscellaneous	1,100	1,060	40
TOTAL OPERATING EXPENSES	\$ 149,200	\$ 110,186	\$ 39,014
OPERATING INCOME (LOSS)	(\$ 149,200)	\$ 132,670	\$ 281,870
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Gain (loss) from investments in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	\$ -	(\$ 74,234)	(\$ 74,234)
Interest expense on bonds	-	(43,861)	(43,861)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ -	(\$ 118,095)	(\$ 118,095)
<u>OTHER FINANCING SOURCES (USES)</u>			
Contributed capital	\$ -	\$ -	\$ -
NET INCOME (LOSS)	(\$ 149,200)	\$ 14,575	\$ 163,775
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	-	121,750	121,750
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 149,200)	\$ 136,325	\$ 285,525
Retained earnings, beginning of year	771,343	771,343	-
RETAINED EARNINGS, END OF YEAR	\$ 622,143	\$ 907,668	\$ 285,525

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND
BALANCE SHEETS

	February 29, <u>2008</u>	February 28, <u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 315,556	\$ 471,180
Investments	199,515	242,415
Investment in joint venture	132,973	132,973
Accounts receivable	24,868	13,258
Due from other funds	867	867
Due from component unit	<u>3,000</u>	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>\$ 676,779</u>	<u>\$ 863,693</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 1,466,088	\$ 1,466,088
Accumulated depreciation	<u>(1,077,811)</u>	<u>(1,018,988)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 388,277</u>	<u>\$ 447,100</u>
<u>OTHER ASSETS</u>		
Restricted assets - Cash	\$ 48,995	\$ 42,326
Due from other governmental units	<u>51,375</u>	<u>68,268</u>
TOTAL OTHER ASSETS	<u>\$ 100,370</u>	<u>\$ 110,594</u>
TOTAL ASSETS	<u><u>\$ 1,165,426</u></u>	<u><u>\$ 1,421,387</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 109,962	\$ 64,665
Payable from restricted assets - customer deposits	48,995	42,326
Due to other funds	<u>22,482</u>	<u>21,221</u>
TOTAL LIABILITIES	<u>\$ 181,439</u>	<u>\$ 128,212</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 115,404	\$ 146,417
Retained earnings - unreserved	<u>868,583</u>	<u>1,146,758</u>
TOTAL FUND EQUITY	<u>\$ 983,987</u>	<u>\$ 1,293,175</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 1,165,426</u></u>	<u><u>\$ 1,421,387</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 29, 2008</u>	<u>February 28, 2007</u>
<u>OPERATING REVENUES</u>	<u>\$ 2,098,875</u>	<u>\$ 2,132,925</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 38,519	\$ 50,402
Vacation, holiday, and sick pay	3,912	4,346
Payroll taxes	2,947	3,831
Retirement plan	7,917	8,960
Hospitalization insurance	16,888	15,934
Health savings	1,870	-
Power purchased	1,789,343	1,757,106
Office supplies and postage	1,662	604
Operating supplies	26,348	20,547
Equipment rental	63	6,600
Sales tax	54,979	40,476
Insurance	8	1,848
Contracted services	87,630	30,728
Provision for depreciation	58,823	62,908
Miscellaneous	3,372	3,273
TOTAL OPERATING EXPENSES	<u>\$ 2,094,281</u>	<u>\$ 2,007,563</u>
OPERATING INCOME	<u>\$ 4,594</u>	<u>\$ 125,362</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	\$ 24,445	\$ 30,547
Distributions	27,773	15,229
TOTAL NON-OPERATING REVENUES	<u>\$ 52,218</u>	<u>\$ 45,776</u>
INCOME BEFORE OPERATING TRANSFERS	<u>\$ 56,812</u>	<u>\$ 171,138</u>
<u>OPERATING TRANSFERS IN (OUT)</u>		
Other funds	(366,000)	(525,593)
NET INCOME	(\$ 309,188)	(\$ 354,455)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>31,013</u>	<u>31,012</u>
INCREASE IN RETAINED EARNINGS	(\$ 278,175)	(\$ 323,443)
Retained earnings, beginning of year	<u>1,146,758</u>	<u>1,470,201</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 868,583</u></u>	<u><u>\$ 1,146,758</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended February 29, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
<u>OPERATING REVENUES</u>	<u>\$2,178,100</u>	<u>\$2,098,875</u>	(\$ 79,225)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 57,600	\$ 38,519	\$ 19,081
Vacation, holiday, and sick pay	-	3,912	(3,912)
Payroll taxes	33,600	2,947	30,653
Retirement plan	-	7,917	(7,917)
Hospitalization	-	16,888	(16,888)
Health savings	-	1,870	(1,870)
Power purchased	1,669,000	1,789,343	(120,343)
Office supplies and postage	100	1,662	(1,562)
Operating supplies	25,000	26,348	(1,348)
Equipment rental	12,000	63	11,937
Sales tax	37,000	54,979	(17,979)
Insurance	3,100	8	3,092
Contracted services	55,000	87,630	(32,630)
Provision for depreciation	-	58,823	(58,823)
Miscellaneous	<u>62,100</u>	<u>3,372</u>	<u>58,728</u>
TOTAL OPERATING EXPENSES	<u>\$1,954,500</u>	<u>\$2,094,281</u>	(\$ 139,781)
OPERATING INCOME (LOSS)	<u>\$ 223,600</u>	<u>\$ 4,594</u>	(\$ 219,006)
<u>NON-OPERATING REVENUES</u>			
Interest income	\$ 5,000	\$ 24,445	\$ 19,445
Distributions	<u>15,000</u>	<u>27,773</u>	<u>12,773</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 20,000</u>	<u>\$ 52,218</u>	<u>\$ 32,218</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 243,600	\$ 56,812	(\$ 186,788)
<u>OPERATING TRANSFERS IN (OUT)</u>	<u>(513,400)</u>	<u>(366,000)</u>	<u>147,400</u>
NET INCOME (LOSS)	(\$ 269,800)	(\$ 309,188)	(\$ 39,388)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>-</u>	<u>31,013</u>	<u>31,013</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 269,800)	(\$ 278,175)	(\$ 8,375)
Retained earnings, beginning of year	<u>1,146,758</u>	<u>1,146,758</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 876,958</u></u>	<u><u>\$ 868,583</u></u>	<u><u>(\$ 8,375)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

JOSEPH M. DAAVETTILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, MI 49931

August 29, 2008

The Honorable President and Members
Village of Baraga Council
Baraga, MI 49908

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village of Baraga, Michigan's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Village of Baraga, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Baraga, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Village of Baraga's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Baraga's financial statements that is more than inconsequential will not be prevented or detected by the Village of Baraga, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Item 2008-1 to be significant deficiencies in internal control over financial reporting.

The Village of Baraga's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Baraga, Michigan's response and, accordingly, we express no opinion on it.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Baraga, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Baraga, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards** and which are described in the accompanying schedule of findings and questioned costs as Item 2008-1.

We noted certain matters that we reported to management of the Village of Baraga, Michigan in a separate letter dated August 29, 2008.

This report is intended for the information and use of the Village Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

2008-1 - PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining, internal control books and records), and reporting government-wide financial statements, including related footnotes.

Condition

As is the case with many small entities, the Village of Baraga, Michigan has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village of Baraga, Michigan's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the Village of Baraga, Michigan to perform this task internally.

Effect

As a result of this condition the Village of Baraga, Michigan lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials

The Village of Baraga, Michigan has evaluated the benefits of establishing internal control over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Village of Baraga to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, MI 49931

August 29, 2008

The Honorable President and Members
The Village of Baraga
Baraga, MI 49908

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baraga, Michigan for the year ended February 29, 2008 and have issued our report thereon dated August 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Baraga, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended February 29, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Village's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and

corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village of Baraga Council and management of the Village of Baraga, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Joseph M. Daavetila, PC". The signature is written in a cursive, flowing style.

Certified Public Accountant

JOSEPH M. DAAVETTILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, MI 49931

August 29, 2008

The Honorable President and Members
Village of Baraga Council
Baraga, MI 49908

MANAGEMENT LETTER

In connection with our audit of the financial statements of the Village of Baraga, Michigan for the year ended February 29, 2008, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

The following comments have appeared in previous years' reports.

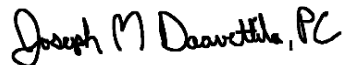
1. We note a need for improvement in budget discipline - expenditures and transfers out exceeded appropriations in four funds. We urge the Council to avoid excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenues in order to continue to achieve a balanced budget.
3. As of February 29, 2008, there was a deficit in the fund balance/net assets of the Water Fund. We noted that management has implemented a series of steps to eliminate this situation. We strongly urge the Council to continue to monitor the activity in the Water Fund to ensure that measures which have been taken are adequate to correct the problem in a timely manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 29, 2008 financial statements, and this report does not affect our report on financial statements dated August 29, 2008.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or the integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Very truly yours,



Certified Public Accountant